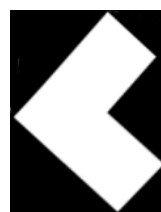


***Town of Phenix, Virginia***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2014***



***Creedle, Jones  
& Alga, P.C.***  
***Certified Public Accountants***

## Town of Phenix, Virginia

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## **FINANCIAL SECTION**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Phenix, 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 Town of Phenix, 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that 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 Phenix, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–7 and 30–31 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.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2015, on our consideration of the Town of Phenix, 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 Phenix, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
May 27, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Phenix, Virginia presents the following discussion and analysis as an overview of the Town of Phenix, Virginia's financial activities for the fiscal year ending June 30, 2014. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

### FINANCIAL HIGHLIGHTS

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town exceeded its liabilities by \$641,262.71. Of this amount, \$331,499.94 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$89,863.60 and expenses amounted to \$83,214.27. The Town's total net position increased \$6,649.33.
- For business-type activities, revenues were \$50,313.85 and expenses were \$41,749.10. The net position increased by \$8,564.75.

#### Highlights for Fund Financial Statements

- As of June 30, 2014, the Town's Governmental Funds reported a fund balance of \$241,256.41 an increase of \$13,504.15 in comparison with the prior year. Approximately 100 percent of the fund balance is available to meet the Town's current and future needs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, and community development. Public utilities represent the business-type activities.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has two types of funds:

*Governmental Funds* - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

*Proprietary Funds* – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

### **Notes to the Basic Financial Statements**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

### **Other**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule.

## FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

#### Summary of Net Position

As of June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>						
Current and other assets	\$ 241,256.41	\$ 227,752.26	\$ 90,243.53	\$ 76,070.12	\$ 331,499.94	\$ 303,822.38
Capital assets (net)	181,217.66	188,072.48	128,545.11	134,153.77	309,762.77	322,226.25
Total Assets	<u>\$ 422,474.07</u>	<u>\$ 415,824.74</u>	<u>\$ 218,788.64</u>	<u>\$ 210,223.89</u>	<u>\$ 641,262.71</u>	<u>\$ 626,048.63</u>
<b>Liabilities</b>						
Other liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
<b>Net Position</b>						
Net investment in capital assets	181,217.66	188,072.48	128,545.11	134,153.77	309,762.77	322,226.25
Unrestricted	241,256.41	227,752.26	90,243.53	76,070.12	331,499.94	303,822.38
Total Net Position	<u>422,474.07</u>	<u>415,824.74</u>	<u>218,788.64</u>	<u>210,223.89</u>	<u>641,262.71</u>	<u>626,048.63</u>
Total Liabilities and Net Position	<u>\$ 422,474.07</u>	<u>\$ 415,824.74</u>	<u>\$ 218,788.64</u>	<u>\$ 210,223.89</u>	<u>\$ 641,262.71</u>	<u>\$ 626,048.63</u>



## Statement of Activities

The following table summarizes revenues and expenses for the primary government:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ -	\$ -	\$ 50,198.21	\$ 34,604.39	\$ 50,198.21	\$ 34,604.39
Operating grants and contributions	17,000.00	9,203.00	-	-	17,000.00	9,203.00
<b>General Revenues</b>						
General property taxes, real and personal	6,673.86	7,949.22	-	-	6,673.86	7,949.22
Other taxes	56,015.75	52,765.68	-	-	56,015.75	52,765.68
Noncategorical aid from state	7,379.92	7,232.70	-	-	7,379.92	7,232.70
Use of property	1,400.00	850.00	-	-	1,400.00	850.00
Investment earnings	1,247.03	594.51	-	-	1,247.03	594.51
Miscellaneous	147.04	34.40	-	-	147.04	34.40
Transfers in	-	931.00	115.64	-	115.64	931.00
Total Revenues and Transfers	89,863.60	79,560.51	50,313.85	34,604.39	140,177.45	114,164.90
<b>Expenses</b>						
General government administration	50,334.68	43,171.44	-	-	50,334.68	43,171.44
Public safety	24,468.61	15,151.46	-	-	24,468.61	15,151.46
Public works	7,821.76	13,092.44	-	-	7,821.76	13,092.44
Community development	473.58	161.80	-	-	473.58	161.80
Interest on long-term debt	-	278.07	-	-	-	278.07
Transfers out	115.64	-	-	931.00	115.64	931.00
Water	-	-	41,749.10	27,483.95	41,749.10	27,483.95
Total Expenses and Transfers	83,214.27	71,855.21	41,749.10	28,414.95	124,963.37	100,270.16
Increase in Net Position	6,649.33	7,705.30	8,564.75	6,189.44	15,214.08	13,894.74
Beginning Net Position	415,824.74	408,119.44	210,223.89	204,034.45	626,048.63	612,153.89
Ending Net Position	\$ 422,474.07	\$ 415,824.74	\$ 218,788.64	\$ 210,223.89	\$ 641,262.71	\$ 626,048.63

Governmental activities increased the Town's net position by \$6,649.33 for fiscal year 2014. Revenues from governmental activities totaled \$89,863.60. Other taxes comprise the largest source of these revenues, totaling \$56,015.75 or 62.34 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$83,214.27. General government administration was the Town's largest program with expenses totaling \$50,334.68. Public safety, which totals \$24,468.61, represents the second largest expense.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

## Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 50,334.68	\$ (50,334.68)	\$ 43,171.44	\$ (43,171.44)
Public safety	24,468.61	(7,468.61)	15,151.46	(7,151.46)
Public works	7,821.76	(7,821.76)	13,092.44	(11,889.44)
Community development	473.58	(473.58)	161.80	(161.80)
Interest on long-term debt	-	-	278.07	(278.07)
Total	<u>\$ 83,098.63</u>	<u>\$ (66,098.63)</u>	<u>\$ 71,855.21</u>	<u>\$ (62,652.21)</u>

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2014, the Town's Governmental Funds reported an ending fund balance of \$241,256.41, an increase of \$13,504.15 in comparison with the prior year. All of this fund balance is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$241,256.41. The General Fund's liquidity can be measured by comparing fund balance to total fund expenditures. Unassigned fund balance represents 3.16 percent of total fund expenditures.

## BUDGETARY HIGHLIGHTS

### General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

### Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 7,500.00	\$ 7,500.00	\$ 6,673.86	\$ 7,500.00	\$ 7,500.00	\$ 7,949.22
Other	51,760.00	51,760.00	56,015.75	52,060.00	52,060.00	52,765.68
Use of money and property	1,700.00	1,700.00	2,647.03	1,700.00	1,700.00	1,444.51
Miscellaneous	-	-	147.04	-	-	34.40
Intergovernmental	7,900.00	7,900.00	24,379.92	7,600.00	7,600.00	16,435.70
Total	68,860.00	68,860.00	89,863.60	68,860.00	68,860.00	78,629.51
<b>Expenditures</b>	68,860.00	68,860.00	76,243.81	68,860.00	68,860.00	69,812.92
Net Change in Fund Balance Before Transfers	-	-	13,619.79	-	-	8,816.59
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	-	-	(115.64)	-	-	931.00
Total	-	-	(115.64)	-	-	931.00
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,504.15</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,747.59</u>

Final amended budget revenues were equal to the original budget.

The final amended budget appropriations for expenditures equaled the original appropriation.

Actual revenues exceeded final budget amounts by \$21,003.60, or 30.51 percent, while actual expenditures were \$7,383.81, or 10.73 percent more than final budget amounts.

## CAPITAL ASSETS

As of June 30, 2014, the Town's net investment in capital assets totals \$181,217.66, which is net capital assets less related debt for governmental activities and \$128,545.11 for business-type activities.

During fiscal year 2014, the Town's net capital assets (including additions, decreases, and depreciation) decreased \$6,854.82, or 3.65 percent, for governmental activities and decreased \$5,608.66, or 4.18 percent, for business-type activities, as summarized in the following table:

### Change in Capital Assets

#### Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 54,779.93	\$ -	\$ 54,779.93
Buildings and improvements	250,459.35	-	250,459.35
Furniture, equipment, and vehicles	10,384.18	-	10,384.18
Total Capital Assets	315,623.46	-	315,623.46
Less: Accumulated depreciation and amortization	(127,550.98)	(6,854.82)	(134,405.80)
Total Capital Assets, Net	<u>\$ 188,072.48</u>	<u>\$ (6,854.82)</u>	<u>\$ 181,217.66</u>

#### Business-Type Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Buildings and systems	\$ 201,193.35	\$ -	\$ 201,193.35
Total Capital Assets	201,193.35	-	201,193.35
Less: Accumulated depreciation and amortization	(67,039.58)	(5,608.66)	(72,648.24)
Total Capital Assets, Net	<u>\$ 134,153.77</u>	<u>\$ (5,608.66)</u>	<u>\$ 128,545.11</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- According to the 2010 U.S. Census, the population in the Town of Phenix, Virginia was approximately 226.
- The per capita income in the Town of Phenix, Virginia was \$18,572.00, compared to \$27,705.00 for the state, according to the 2010 U.S. Census data.
- The fiscal year 2015 adopted budget anticipates General Fund revenues and expenditures to be \$69,560, a 1.02 percent increase over fiscal year 2014 original budget.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Barbara Copal, Clerk, Town of Phenix, Virginia, P. O. Box 29, Phenix, Virginia 23959, telephone 434-542-4123.

# **BASIC FINANCIAL STATEMENTS**

# **Town of Phenix, Virginia**

## Statement of Net Position

At June 30, 2014

### Primary Government

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 241,212.68	\$ 90,176.20	\$ 331,388.88
Receivables, net	43.73	67.33	111.06
<b>Capital Assets</b>			
Capital assets, net of accumulated depreciation	<u>181,217.66</u>	<u>128,545.11</u>	<u>309,762.77</u>
Capital Assets, Net	<u>181,217.66</u>	<u>128,545.11</u>	<u>309,762.77</u>
 Total Assets	 <u>\$ 422,474.07</u>	 <u>\$ 218,788.64</u>	 <u>\$ 641,262.71</u>
 <b>Liabilities</b>	 \$ -	 \$ -	 \$ -
 <b>Net Position</b>			
Net investment in capital assets	181,217.66	128,545.11	309,762.77
Unrestricted	<u>241,256.41</u>	<u>90,243.53</u>	<u>331,499.94</u>
 Total Net Position	 <u>422,474.07</u>	 <u>218,788.64</u>	 <u>641,262.71</u>
 Total Liabilities and Net Position	 <u>\$ 422,474.07</u>	 <u>\$ 218,788.64</u>	 <u>\$ 641,262.71</u>

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

## Town of Phenix, Virginia

## Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Primary Government						
Governmental Activities						
General government administration	\$ 50,334.68	\$ -	\$ -	\$ (50,334.68)	\$ -	\$ (50,334.68)
Public safety	24,468.61	-	17,000.00	(7,468.61)	-	(7,468.61)
Public works	7,821.76	-	-	(7,821.76)	-	(7,821.76)
Community development	473.58	-	-	(473.58)	-	(473.58)
Total Governmental Activities	83,098.63	-	17,000.00	(66,098.63)	-	(66,098.63)
Business-Type Activities						
Water Fund	41,749.10	50,198.21	-	-	8,449.11	8,449.11
Total Business-Type Activities	41,749.10	50,198.21	-	-	8,449.11	8,449.11
Total Primary Government	\$ 124,847.73	\$ 50,198.21	\$ 17,000.00	(66,098.63)	8,449.11	(57,649.52)
General Revenues						
Taxes						
General property taxes, real and personal				6,673.86	-	6,673.86
Other local taxes				56,015.75	-	56,015.75
Noncategorical aid from state				7,379.92	-	7,379.92
Investment earnings				1,247.03	-	1,247.03
Use of property				1,400.00	-	1,400.00
Miscellaneous				147.04	-	147.04
Transfers				(115.64)	115.64	-
Total General Revenues and Transfers				72,747.96	115.64	72,863.60
Change in Net Position				6,649.33	8,564.75	15,214.08
Net Position - Beginning of Year				415,824.74	210,223.89	626,048.63
Net Position - End of Year				\$ 422,474.07	\$ 218,788.64	\$ 641,262.71

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

**Town of Phenix, Virginia**

Balance Sheet

Governmental Funds

At June 30, 2014

	<b>General Fund</b>
<b>Assets</b>	
Cash and investments	\$ 241,212.68
Taxes receivable	<u>43.73</u>
Total Assets	<u><u>\$ 241,256.41</u></u>
<b>Liabilities</b>	\$ -
<b>Fund Balance</b>	
Unassigned	<u>241,256.41</u>
Total Fund Balance	<u>241,256.41</u>
Total Liabilities and Fund Balance	<u><u>\$ 241,256.41</u></u>

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



**Town of Phenix, Virginia**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2014

Total Fund Balances for Governmental Funds		\$ 241,256.41
Total net position reported for governmental activities in the Statement of Net Position is 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	\$ 54,779.93	
Buildings and improvements, net of accumulated depreciation	126,437.73	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>-</u>	
Total Capital Assets		181,217.66
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:		
Bonds and notes payable		<u>-</u>
Total Net Position of Governmental Activities		<u><u>\$ 422,474.07</u></u>

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

**Town of Phenix, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	<b>General Fund</b>
<b>Revenues</b>	
Property taxes	\$ 6,673.86
Other local taxes	56,015.75
Use of money and property	2,647.03
Miscellaneous	147.04
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	<u>24,379.92</u>
Total Revenues	89,863.60
<b>Expenditures</b>	
General government administration	44,073.19
Public safety	24,468.61
Public works	7,228.43
Community development	<u>473.58</u>
Total Expenditures	76,243.81
<b>Other Financing Sources (Uses)</b>	
Proceeds from loans	<u>-</u>
Total Other Financing Sources (Uses)	-
Net Change in Fund Balance Before Transfers	13,619.79
Transfer to Other Funds	<u>(115.64)</u>
Net Change in Fund Balance After Transfers	13,504.15
Fund Balance - Beginning of Year	<u>227,752.26</u>
Fund Balance - End of Year	<u><u>\$241,256.41</u></u>

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

**Town of Phenix, Virginia**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 13,504.15
--	--------------

<p>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.</p>	(6,854.82)
---	------------

Bond and capital lease 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 on loans	\$ <u>          -</u>
---------------------	-----------------------

Net Adjustment	- <u>                    </u>
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Change in Net Position of Governmental Activities	\$ <u><u>6,649.33</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**Town of Phenix, Virginia**

## Statement of Net Position

Proprietary Fund

At June 30, 2014

**Business-Type  
Activities -  
Enterprise  
Fund****Water Fund****Assets****Current Assets**

Cash	\$ 90,176.20
Accounts receivable	<u>67.33</u>

Total Current Assets	90,243.53
----------------------	-----------

**Noncurrent Assets**

Capital assets, net	<u>128,545.11</u>
---------------------	-------------------

Total Noncurrent Assets	<u>128,545.11</u>
-------------------------	-------------------

Total Assets	<u><u>\$ 218,788.64</u></u>
--------------	-----------------------------

**Liabilities**

\$ -
------

**Net Position**

Net investment in capital assets	128,545.11
Unrestricted	<u>90,243.53</u>

Total Net Position	<u>218,788.64</u>
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Total Liabilities and Net Position	<u><u>\$ 218,788.64</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

# **Town of Phenix, Virginia**

## Statement of Revenues, Expenses, and Changes in Net Position

### Proprietary Fund

Year Ended June 30, 2014

	<b>Business-Type Activities - Enterprise Fund</b>
	<b><u>Water Fund</u></b>
<b>Operating Revenues</b>	
Water charges	\$ 34,698.21
Water grants - Sercap	<u>15,500.00</u>
Total Operating Revenues	50,198.21
<b>Operating Expenses</b>	
Salaries	5,400.00
Payroll taxes	442.08
Miscellaneous	56.00
Supplies	805.21
Repairs and maintenance	8,340.11
Depreciation	5,608.66
Utilities	2,210.61
Office	1,089.03
Licenses and fees	689.40
Water kits	1,608.00
Sercap Water Grant expenses	<u>15,500.00</u>
Total Operating Expenses	<u>41,749.10</u>
Operating Income	8,449.11
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>
Change in Net Position Before Transfers	8,449.11
Transfer to General Fund	<u>115.64</u>
Change in Net Position After Transfers	8,564.75
Total Net Position - Beginning of Year	<u>210,223.89</u>
Total Net Position - End of Year	<u><u>\$ 218,788.64</u></u>

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

**Town of Phenix, Virginia**

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2014

	<b>Business-Type Activities - Enterprise Fund</b>
	<b><u>Water Fund</u></b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 50,130.88
Payments to personnel and suppliers	<u>(36,140.44)</u>
Net Cash Provided by Operating Activities	13,990.44
<b>Cash Flows from Noncapital Financing Activities</b>	
Funds from (paid to) other funds	<u>115.64</u>
Net Cash Provided by Noncapital Financing Activities	115.64
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of assets	<u>-</u>
Net Cash Used in Capital and Related Financing Activities	-
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>-</u>
Net Increase in Cash and Cash Equivalents	14,106.08
Cash and Cash Equivalents - Beginning of Year	<u>76,070.12</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 90,176.20</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 8,449.11
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	5,608.66
Changes in assets and liabilities	
Receivables, net	<u>(67.33)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 13,990.44</u></u>

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

## Town of Phenix, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2014

## 1 Summary of Significant Accounting Policies

### ***Narrative Profile***

The Town of Phenix, Virginia (the "Town"), which was incorporated in 1930, has a population of approximately 200. The Town is located in Charlotte County, Virginia. The Town is governed by an elected mayor and a five-member Council with each serving administrative and legislative functions.

The Town of Phenix, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, and community development.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

#### **1-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 the 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.

#### **1-B. Financial Reporting Model**

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required supplementary information, described as follows:

***Management's Discussion and Analysis*** – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

***Government-wide Financial Statements*** – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

**Reconciliation of Government-wide and Fund Financial Statements** – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.



## 1-C. Financial Statement Presentation

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. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:

**General Fund** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

**Special Revenue Funds** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no special revenue funds.

**Capital Projects Funds** – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. There are no capital projects funds.

**Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.

**Fiduciary Funds – (Agency Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no fiduciary funds.

#### **1-D. Measurement Focus and Basis of Accounting**

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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, public safety, public works, etc.) or a business-type activity.

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, if applicable, 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 unavailable 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 within two months 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 expenditures. 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 cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

**1-E-1 Cash and Cash Equivalents**

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

**1-E-2 Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

**1-E-3 Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

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 and, in certain cases, specific account analysis. The allowance amounted to approximately \$-0- at June 30 for property taxes.

General Fund - taxes receivable	\$ 43.73
Water Fund - receivables	<u>67.33</u>
	<u>\$ 111.06</u>

**Real and Personal Property Tax Data**

The tax calendars for real and personal property taxes are summarized below:

**Real Property Personal Property**

Levy	January 1	January 1
Due Date	December 5	December 5

The Town bills and collects its own property taxes.

A five percent penalty is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

#### **1-E-4 Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

#### **1-E-5 Capital Assets**

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 50 years
Furniture and other equipment	3 to 25 years

#### **1-E-6 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 until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. 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.

### **1-E-7 Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The Town does not accrue compensated absences (annual leave benefits) at this time because of the immaterial amount of these benefits.

### **1-E-8 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

**Governmental Fund Balances** – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – 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 of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

### **1-E-9 Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings.

### **1-E-10 Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

### **1-E-11 Long-Term Obligations**

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

### **1-E-12 Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **2 Stewardship, Compliance, and Accountability**

### ***Budgets and Budgetary Accounting***

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

#### ***Budgetary Data***

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

1. Prior to April 1, the Town's budget committee submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital 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, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

#### **Expenditures in Excess of Appropriations**

No expenditures exceeded appropriations.

#### **Fund Deficits**

No funds had fund deficits.

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

The Town does not have a formal investment policy addressing the various types of risks associated with investments.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Carrying Amount</u>
Petty cash	\$ 100.00
Deposit accounts	<u>331,288.88</u>
Total Cash and Cash Equivalents	<u>\$ 331,388.88</u>



	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>			
Cash and cash equivalents	\$ 241,212.68	\$ 90,176.20	\$ 331,388.88

#### 4 Receivables

Receivables at June 30, 2014 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Receivables</b>			
Taxes	\$ 43.73	\$ 67.33	\$ 111.06
Total Receivables	\$ 43.73	\$ 67.33	\$ 111.06

#### 5 Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
<b><u>Primary Government</u></b>		
<b>General Fund</b>		
To Water Fund	\$ 115.64	\$ -
<b>Water Fund</b>		
From General Fund	-	115.64
Total Transfers	\$ 115.64	\$ 115.64



## 6 Capital Assets

The following is a summary of changes in capital assets:

<b>Governmental Activities</b>	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 54,779.93	\$ -	\$ -	\$ 54,779.93
Total Capital Assets Not Being Depreciated	54,779.93	-	-	54,779.93
<b>Other Capital Assets</b>				
Buildings and improvements	250,459.35	-	-	250,459.35
Furniture, equipment, and vehicles	10,384.18	-	-	10,384.18
Total Other Capital Assets	260,843.53	-	-	260,843.53
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	(117,760.13)	(6,261.49)	-	(124,021.62)
Furniture, equipment, and vehicles	(9,790.85)	(593.33)	-	(10,384.18)
Total Accumulated Depreciation	(127,550.98)	(6,854.82)	-	(134,405.80)
Other Capital Assets, Net	133,292.55	(6,854.82)	-	126,437.73
Net Capital Assets	\$ 188,072.48	\$ (6,854.82)	\$ -	\$ 181,217.66
Depreciation expense was allocated as follows:				
General government administration	\$ 6,261.49			
Public works	593.33			
Total Depreciation Expense	\$ 6,854.82			
<b>Business-Type Activities</b>				
	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Other Capital Assets</b>				
Buildings and systems	\$ 201,193.35	\$ -	\$ -	\$ 201,193.35
Total Other Capital Assets	201,193.35	-	-	201,193.35
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	(67,039.58)	(5,608.66)	-	(72,648.24)
Total Accumulated Depreciation	(67,039.58)	(5,608.66)	-	(72,648.24)
Other Capital Assets, Net	134,153.77	(5,608.66)	-	128,545.11
Net Capital Assets	\$ 134,153.77	\$ (5,608.66)	\$ -	\$ 128,545.11
Depreciation expense for water	\$ 5,608.66			

## 7 Compensated Absences

No provision has been booked for compensated absences as the Town employs only part-time employees.

## 8 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2014 is determined as follows:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
<b>Net Investment in Capital Assets</b>		
Cost of capital assets	\$ 315,623.46	\$ 201,193.35
Less: Accumulated depreciation	<u>(134,405.80)</u>	<u>(72,648.24)</u>
Book value	181,217.66	128,545.11
Less: Capital related debt	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u><u>\$ 181,217.66</u></u>	<u><u>\$ 128,545.11</u></u>

## 9 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 joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 10 Commitments and Contingencies

If applicable, federal programs in which the Town participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

## 11 Litigation

At June 30, 2014, there were no matters of litigation involving the Town which would materially affect the Town’s financial position should any court decisions or pending matters not be favorable to such entities.

## 12 Legal Compliance

### *Computation of Legal Debt Margin*

Total Assessed Value of Taxed Real Estate	\$ <u>9,345,105</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 934,511
Amount of Debt Applicable to Debt Limit General Obligation Debt	<u>-</u>
Legal Debt Margin	\$ <u>934,511</u>

## 13 Surety Bond Information

The following constitutional officer is insured through the Fidelity & Deposit Co. of Maryland in effect at June 30, 2014:

### **Fidelity & Deposit Co. of Maryland**

Town Clerk

\$ 50,000.00

## 14 Implementation of GASB Statement No. 65

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. These statements required changes in account captions in the Statement of Net Position and the Governmental Funds Balance Sheet.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Phenix, Virginia**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2014**

**General Fund**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real estate and personal property taxes	\$ 7,500.00	\$ 7,500.00	\$ 6,673.86	\$ (826.14)
Total General Property Taxes	7,500.00	7,500.00	6,673.86	(826.14)
<b>Other Local Taxes</b>				
Bank franchise taxes	45,500.00	45,500.00	48,533.00	3,033.00
Sales taxes	3,300.00	3,300.00	4,493.08	1,193.08
Motor vehicle taxes	2,200.00	2,200.00	2,325.00	125.00
Utility taxes/consumption taxes	700.00	700.00	664.67	(35.33)
Business licenses	60.00	60.00	-	(60.00)
Total Other Local Taxes	51,760.00	51,760.00	56,015.75	4,255.75
<b>Revenue from Use of Money and Property</b>				
Interest earned	800.00	800.00	1,247.03	447.03
Rentals	900.00	900.00	1,400.00	500.00
Total Revenue from Use of Money and Property	1,700.00	1,700.00	2,647.03	947.03
<b>Miscellaneous</b>				
	-	-	147.04	147.04
Total Miscellaneous	-	-	147.04	147.04
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
Personal Property Tax Relief Act	2,100.00	2,100.00	2,132.18	32.18
Litter grant	1,000.00	1,000.00	-	(1,000.00)
Rolling stock tax	3,300.00	3,300.00	3,861.06	561.06
Communication tax	1,500.00	1,500.00	1,386.68	(113.32)
Fire Department Grant	-	-	17,000.00	17,000.00
Total Revenue from the Commonwealth of Virginia	7,900.00	7,900.00	24,379.92	16,479.92
Total Intergovernmental Revenue	7,900.00	7,900.00	24,379.92	16,479.92
Total Revenues	68,860.00	68,860.00	89,863.60	21,003.60
<b>Current Expenditures</b>				
<b>General Government Administration</b>				
Administration	21,000.00	21,000.00	22,008.50	(1,008.50)
Advertising	200.00	200.00	154.80	45.20
Accounting and legal	5,300.00	5,300.00	4,380.69	919.31
Office	1,700.00	1,700.00	843.97	856.03
Postage	400.00	400.00	403.50	(3.50)
Telephone	1,200.00	1,200.00	906.16	293.84
Dues and subscriptions	625.00	625.00	540.00	85.00
Insurance	3,500.00	3,500.00	3,478.00	22.00

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Payroll tax	4,600.00	4,600.00	1,560.97	3,039.03
Janitorial services	360.00	360.00	330.00	30.00
Special events	1,000.00	1,000.00	80.00	920.00
Utilities	6,500.00	6,500.00	6,339.51	160.49
Miscellaneous	<u>2,325.00</u>	<u>2,325.00</u>	<u>3,047.09</u>	<u>(722.09)</u>
Total General Government Administration	48,710.00	48,710.00	44,073.19	4,636.81
<b>Public Safety</b>				
<i>Fire Department</i>				
Utilities	2,500.00	2,500.00	2,017.59	482.41
Fire Department Grant expenses	-	-	17,000.00	(17,000.00)
Miscellaneous expenses	-	-	133.93	(133.93)
Donation	<u>4,500.00</u>	<u>4,500.00</u>	<u>5,317.09</u>	<u>(817.09)</u>
Total Fire Department	<u>7,000.00</u>	<u>7,000.00</u>	<u>24,468.61</u>	<u>(17,468.61)</u>
Total Public Safety	7,000.00	7,000.00	24,468.61	(17,468.61)
<b>Public Works</b>				
<i>Streets</i>				
Street maintenance	<u>250.00</u>	<u>250.00</u>	<u>526.07</u>	<u>(276.07)</u>
Total Streets	<u>250.00</u>	<u>250.00</u>	<u>526.07</u>	<u>(276.07)</u>
<i>Building and Grounds</i>				
Salaries	-	-	1,250.00	(1,250.00)
Repairs and maintenance	4,500.00	4,500.00	3,294.16	1,205.84
Litter Grant expenses	1,000.00	1,000.00	-	1,000.00
Utilities	<u>2,000.00</u>	<u>2,000.00</u>	<u>2,158.20</u>	<u>(158.20)</u>
Total Building and Grounds	<u>7,500.00</u>	<u>7,500.00</u>	<u>6,702.36</u>	<u>797.64</u>
Total Public Works	7,750.00	7,750.00	7,228.43	521.57
<b>Community Development</b>	-	-	473.58	(473.58)
<b>Debt Service</b>	<u>5,400.00</u>	<u>5,400.00</u>	<u>-</u>	<u>5,400.00</u>
Total Expenditures	<u>68,860.00</u>	<u>68,860.00</u>	<u>76,243.81</u>	<u>(7,383.81)</u>
Net Change in Fund Balance Before Transfers	-	-	13,619.79	13,619.79
<b>Other Financing Sources (Uses)</b>				
Transfer to Other Funds	<u>-</u>	<u>-</u>	<u>(115.64)</u>	<u>(115.64)</u>
Net Change in Fund Balance After Transfers	<u>\$ -</u>	<u>\$ -</u>	13,504.15	<u>\$ 13,504.15</u>
Fund Balance - Beginning of Year			<u>227,752.26</u>	
Fund Balance - End of Year			<u>\$ 241,256.41</u>	

## **COMPLIANCE SECTION**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA  
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Kimberly N. Walker, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

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

To the Town Council  
Town of Phenix, 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 Town of Phenix, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Phenix, Virginia's basic financial statements and have issued our report thereon dated May 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Phenix, 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 Phenix, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Phenix, 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 Town of Phenix, 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.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
May 27, 2015