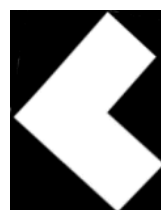


***Town of Phenix, Virginia***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2013***



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

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–7 and 27–28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 December 13, 2013, 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.

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

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

South Hill, Virginia  
December 13, 2013

## 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, 2013. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

### FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town exceeded its liabilities by \$626,048.63. Of this amount, \$303,822.38 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 \$79,560.51 and expenses amounted to \$71,855.21. The Town's total net position increased \$7,705.30. The business-type activities reported revenue of \$34,604.39 with expenses of \$28,414.95 showing an increase in net position of \$6,189.44.

#### Highlights for Fund Financial Statements

- As of June 30, 2013, the Town's Governmental Funds reported combined fund balances of \$227,752.26 an increase of \$9,747.59 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 Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The **financial section** has three component parts - management's discussion and analysis (this section), the basic financial statements, which include government-wide financial statements and fund financial statements, and required supplementary information.
- The **compliance section** is required under the provisions of the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, if applicable.

#### 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.

The first government-wide statement - the Statement of Net Position - presents information on all of the Town's assets and liabilities. The difference between assets and liabilities, net position, 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.

The second statement - the 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 statements are divided into the following two categories:

Governmental Activities: Most of the Town's basic services are reported here, including general government administration; public safety; public works; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

Business-Type Activities: Town of Phenix, Virginia has a Proprietary Enterprise Fund that accounts for the water system for the Town.

### **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the Town's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The Town has three kinds 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 additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and, therefore, the largest of the Governmental Funds. All other Governmental Funds, which include Special Revenue Funds and Capital Projects Funds, are collectively referred to as nonmajor Governmental Funds.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The Town has a Water Fund that generates revenue based on consumer charges.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the Town for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the Town's programs. The Town's Fiduciary Funds consist of Agency Funds. The Town does not have any Fiduciary Funds at this time.

## 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, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>						
Current and other assets	<u>\$ 227,752.26</u>	\$ 218,004.67	<u>\$ 76,070.12</u>	\$ 64,272.02	<u>\$ 303,822.38</u>	\$ 282,276.69
Capital assets (net)	<u>188,072.48</u>	195,223.97	<u>134,153.77</u>	139,762.43	<u>322,226.25</u>	334,986.40
Total Assets	<u>\$ 415,824.74</u>	<u>\$ 413,228.64</u>	<u>\$ 210,223.89</u>	<u>\$ 204,034.45</u>	<u>\$ 626,048.63</u>	<u>\$ 617,263.09</u>
<b>Liabilities</b>						
Other liabilities	<u>\$ -</u>	\$ 5,109.20	<u>\$ -</u>	\$ -	<u>\$ -</u>	\$ 5,109.20
Total Liabilities	<u>-</u>	5,109.20	<u>-</u>	-	<u>-</u>	5,109.20
<b>Net Position</b>						
Net investment in capital assets	<u>188,072.48</u>	190,114.77	<u>134,153.77</u>	139,762.43	<u>322,226.25</u>	329,877.20
Unrestricted	<u>227,752.26</u>	218,004.67	<u>76,070.12</u>	64,272.02	<u>303,822.38</u>	282,276.69
Total Net Position	<u>415,824.74</u>	<u>408,119.44</u>	<u>210,223.89</u>	<u>204,034.45</u>	<u>626,048.63</u>	<u>612,153.89</u>
Total Liabilities and Net Position	<u>\$ 415,824.74</u>	<u>\$ 413,228.64</u>	<u>\$ 210,223.89</u>	<u>\$ 204,034.45</u>	<u>\$ 626,048.63</u>	<u>\$ 617,263.09</u>



## Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2013:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ -	\$ -	\$ 34,604.39	\$ 35,731.36	\$ 34,604.39	\$ 35,731.36
Operating grants and contributions	9,203.00	1,000.00	-	-	9,203.00	1,000.00
<b>General Revenues</b>						
General property taxes, real and personal	7,949.22	7,768.76	-	-	7,949.22	7,768.76
Other taxes	52,765.68	54,395.72	-	-	52,765.68	54,395.72
Noncategorical aid from state	7,232.70	6,705.46	-	-	7,232.70	6,705.46
Use of property	850.00	950.00	-	-	850.00	950.00
Investment earnings	594.51	498.96	-	187.04	594.51	686.00
Miscellaneous	34.40	637.46	-	-	34.40	637.46
Transfers in	931.00	-	-	3,000.00	931.00	3,000.00
Total Revenues	79,560.51	71,956.36	34,604.39	38,918.40	114,164.90	110,874.76
<b>Expenses</b>						
General government administration	43,171.44	44,037.79	-	-	43,171.44	44,037.79
Public safety	15,151.46	6,492.59	-	-	15,151.46	6,492.59
Public works	13,092.44	13,215.36	-	-	13,092.44	13,215.36
Parks, recreation, and cultural	-	443.66	-	-	-	443.66
Community development	161.80	-	-	-	161.80	-
Interest on long-term debt	278.07	547.81	-	-	278.07	547.81
Transfers out	-	3,000.00	931.00	-	931.00	3,000.00
Water	-	-	27,483.95	27,140.17	27,483.95	27,140.17
Total Expenses	71,855.21	67,737.21	28,414.95	27,140.17	100,270.16	94,877.38
Increase in Net Position	7,705.30	4,219.15	6,189.44	11,778.23	13,894.74	15,997.38
Beginning Net Position	408,119.44	403,900.29	204,034.45	192,256.22	612,153.89	596,156.51
Ending Net Position	\$ 415,824.74	\$ 408,119.44	\$ 210,223.89	\$ 204,034.45	\$ 626,048.63	\$ 612,153.89

Governmental activities had an increase in net position of \$7,705.30, which was a 1.89 percent increase in net position over fiscal year 2012. Revenues from governmental activities totaled \$79,560.51. Taxes comprise 76.32 percent of these revenues.

Business-type activities had revenues of \$34,604.39, expenses of \$28,414.95 resulting in an increase of net position of \$6,189.44. This is a 3.04 percent increase in net position over fiscal year 2012.

The total cost of all governmental activities for this fiscal year was \$71,855.21. General Government Administration continues to be the Town's largest program with expenses totaling \$43,171.44 or 60.09 percent of total expenses.

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, 2013 and 2012

	<u>2013</u>		<u>2012</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	\$ 43,171.44	\$ (43,171.44)	\$ 44,037.79	\$ (44,037.79)
Public safety	15,151.46	(7,151.46)	6,492.59	(5,492.59)
Public works	13,092.44	(11,889.44)	13,215.36	(13,215.36)
Community development	161.80	(161.80)	-	-
Parks, recreation, and cultural	-	-	443.66	(443.66)
Interest on long-term debt	278.07	(278.07)	547.81	(547.81)
Total	<u>\$ 71,855.21</u>	<u>\$ (62,652.21)</u>	<u>\$ 64,737.21</u>	<u>\$ (63,737.21)</u>

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2013, the Town's Governmental Funds reported a combined ending fund balance of \$227,752.26, an increase of \$9,747.59 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's liquidity can be measured by comparing fund balance to total fund expenditures. Fund balance represents 3.26 times 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, 2013 and 2012						
	<u>2013</u>			<u>2012</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	\$ 7,949.22	\$ 7,000.00	\$ 7,000.00	\$ 7,768.76
Other	52,060.00	52,060.00	52,765.68	50,160.00	50,160.00	54,395.72
Use of money and property	1,700.00	1,700.00	1,444.51	1,540.00	1,540.00	1,448.96
Miscellaneous	-	-	34.40	-	-	637.46
Intergovernmental	7,600.00	7,600.00	16,435.70	7,500.00	7,500.00	7,705.46
Total	68,860.00	68,860.00	78,629.51	66,200.00	66,200.00	71,956.36
<b>Expenditures</b>	68,860.00	68,860.00	69,812.92	66,200.00	66,200.00	62,434.71
Excess (Deficiency) of Revenues Over Expenditures	-	-	8,816.59	-	-	9,521.65
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	-	-	931.00	-	-	(3,000.00)
Total	-	-	931.00	-	-	(3,000.00)
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,747.59</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,521.65</u>

The final amended budget appropriations, including expenditures and transfers out, were the same as the original appropriation. No major budget amendments took place this year.

Actual revenues exceeded final budget amounts by \$9,830.55, or 14.28 percent, while actual expenditures were \$952.92, or 1.39 percent more than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2013, the Town's net investment in capital assets for governmental activities totals \$188,072.48, which is net capital assets less related debt. For business-type activities, the total is \$134,153.77.

During fiscal year 2013, the Town's governmental net capital assets (including additions, decreases, and depreciation) decreased \$7,151.49, or 3.67 percent. The Town's business-type net capital assets (including additions, decreases, and depreciation) decreased \$5,608.66, or 4.02 percent, during the fiscal year 2013, as summarized below:

#### Change in Capital Assets

##### Governmental Activities

	<u>Balance June 30, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</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	(120,399.49)	(7,151.49)	(127,550.98)
Total Capital Assets, Net	<u>\$ 195,223.97</u>	<u>\$ (7,151.49)</u>	<u>\$ 188,072.48</u>

##### Business-Type Activities

	<u>Balance June 30, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Buildings and systems	\$ 201,193.35	\$ -	\$ 201,193.35
Total Capital Assets	201,193.35	-	201,193.35
Less: Accumulated depreciation and amortization	(61,430.92)	(5,608.66)	(67,039.58)
Total Capital Assets, Net	<u>\$ 139,762.43</u>	<u>\$ (5,608.66)</u>	<u>\$ 134,153.77</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 2014 adopted budget anticipates General Fund revenues and expenditures to be \$68,860.00. This is 0% higher than fiscal year 2013 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, 2013

### Primary Government

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 227,740.56	\$ 76,070.12	\$ 303,810.68
Receivables, net	11.70	-	11.70
<b>Capital Assets</b>			
Capital assets, net of accumulated depreciation	<u>188,072.48</u>	<u>134,153.77</u>	<u>322,226.25</u>
Capital Assets, Net	<u>188,072.48</u>	<u>134,153.77</u>	<u>322,226.25</u>
Total Assets	<u>\$ 415,824.74</u>	<u>\$ 210,223.89</u>	<u>\$ 626,048.63</u>
<b>Liabilities</b>	\$ -	\$ -	\$ -
<b>Net Position</b>			
Net investment in capital assets	188,072.48	134,153.77	322,226.25
Unrestricted	<u>227,752.26</u>	<u>76,070.12</u>	<u>303,822.38</u>
Total Net Position	<u>415,824.74</u>	<u>210,223.89</u>	<u>626,048.63</u>
Total Liabilities and Net Position	<u>\$ 415,824.74</u>	<u>\$ 210,223.89</u>	<u>\$ 626,048.63</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, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General government administration	\$ 43,171.44	\$ -	\$ -	\$ (43,171.44)	\$ -	\$ (43,171.44)
Public safety	15,151.46	-	8,000.00	(7,151.46)	-	(7,151.46)
Public works	13,092.44	-	1,203.00	(11,889.44)	-	(11,889.44)
Community development	161.80	-	-	(161.80)	-	(161.80)
Interest on long-term debt	278.07	-	-	(278.07)	-	(278.07)
Total Governmental Activities	71,855.21	-	9,203.00	(62,652.21)	-	(62,652.21)
<b>Business-Type Activities</b>						
Water Fund	27,483.95	34,604.39	-	-	7,120.44	7,120.44
Total Business-Type Activities	27,483.95	34,604.39	-	-	7,120.44	7,120.44
Total Primary Government	<u>\$ 99,339.16</u>	<u>\$ 34,604.39</u>	<u>\$ 9,203.00</u>	(62,652.21)	7,120.44	(55,531.77)
<b>General Revenues</b>						
<b>Taxes</b>						
General property taxes, real and personal				7,949.22	-	7,949.22
Other local taxes				52,765.68	-	52,765.68
Noncategorical aid from state				7,232.70	-	7,232.70
Investment earnings				594.51	-	594.51
Use of property				850.00	-	850.00
Miscellaneous				34.40	-	34.40
Transfers				931.00	(931.00)	-
Total General Revenues				70,357.51	(931.00)	69,426.51
Change in Net Position				7,705.30	6,189.44	13,894.74
Net Position - Beginning of Year				408,119.44	204,034.45	612,153.89
Net Position - End of Year				<u>\$ 415,824.74</u>	<u>\$ 210,223.89</u>	<u>\$ 626,048.63</u>

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

**Town of Phenix, Virginia**

Balance Sheet

Governmental Funds

At June 30, 2013

	<b>General Fund</b>
<b>Assets</b>	
Cash and investments	\$ 227,740.56
Taxes receivable	<u>11.70</u>
Total Assets	<u><u>\$ 227,752.26</u></u>
<b>Liabilities</b>	\$ -
<b>Fund Balance</b>	
Unassigned	<u>227,752.26</u>
Total Fund Balance	<u><u>227,752.26</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 227,752.26</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, 2013

Total Fund Balances for Governmental Funds \$ 227,752.26

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	132,699.22
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>593.33</u>

Total Capital Assets 188,072.48

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 \$ 415,824.74

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, 2013

	<b><u>General Fund</u></b>
<b>Revenues</b>	
Property taxes	\$ 7,949.22
Other local taxes	52,765.68
Use of money and property	1,444.51
Miscellaneous	34.40
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	<u>16,435.70</u>
Total Revenues	78,629.51
<b>Expenditures</b>	
General government administration	36,571.75
Public safety	15,151.46
Public works	12,202.44
Parks, recreation, and cultural	500.00
Debt service	<u>5,387.27</u>
Total Expenditures	69,812.92
<b>Other Financing Sources (Uses)</b>	
Proceeds from loans	<u>-</u>
Total Other Financing Sources (Uses)	-
Net Change in Fund Balance Before Transfers	8,816.59
Transfer from Other Funds	<u>931.00</u>
Net Change in Fund Balance After Transfers	9,747.59
Fund Balance - Beginning of Year	<u>218,004.67</u>
Fund Balance - End of Year	<u><u>\$ 227,752.26</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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 9,747.59
--------------------------------------------------------	-------------

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.	(7,151.49)
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

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>\$ 5,109.20</u>
---------------------	--------------------

Net Adjustment	<u>5,109.20</u>
----------------	-----------------

Change in Net Position of Governmental Activities	<u><u>\$ 7,705.30</u></u>
---------------------------------------------------	---------------------------

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, 2013

	<b>Business-Type Activities - Enterprise Fund</b>
	<b><u>Water Fund</u></b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 76,070.12
Total Current Assets	76,070.12
<b>Noncurrent Assets</b>	
Capital assets, net	<u>134,153.77</u>
Total Noncurrent Assets	<u>134,153.77</u>
Total Assets	<u>\$ 210,223.89</u>
<b>Liabilities</b>	\$ -
<b>Net Position</b>	
Net investment in capital assets	134,153.77
Unrestricted	<u>76,070.12</u>
Total Net Position	<u>210,223.89</u>
Total Liabilities and Net Position	<u>\$ 210,223.89</u>

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

**Town of Phenix, Virginia**

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

Proprietary Fund

Year Ended June 30, 2013

	<b>Business-Type Activities - Enterprise Fund</b>
	<b><u>Water Fund</u></b>
<b>Operating Revenues</b>	
Water charges	\$ 34,604.39
Total Operating Revenues	34,604.39
<b>Operating Expenses</b>	
Salaries	5,400.00
Miscellaneous	926.57
Supplies	224.00
Repairs and maintenance	10,222.60
Depreciation	5,608.66
Utilities	2,392.11
Office	723.00
Licenses and fees	389.40
Water kits	1,175.00
Taxes	422.61
Total Operating Expenses	27,483.95
Operating Income	7,120.44
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	-
Total Nonoperating Revenues (Expenses)	-
Change in Net Position Before Transfers	7,120.44
Transfer to General Fund	(931.00)
Change in Net Position After Transfers	6,189.44
Total Net Position - Beginning of Year	204,034.45
Total Net Position - End of Year	\$ 210,223.89

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, 2013

**Business-Type  
Activities -  
Enterprise  
Fund****Water Fund****Cash Flows from Operating Activities**

Receipts from customers	\$ 35,016.31
Payments to personnel and suppliers	<u>(21,875.29)</u>

Net Cash Provided by Operating Activities	13,141.02
-------------------------------------------	-----------

**Cash Flows from Noncapital Financing Activities**

Funds from (paid to) other funds	<u>(931.00)</u>
----------------------------------	-----------------

Net Cash Used in Noncapital Financing Activities	(931.00)
-----------------------------------------------------	----------

**Cash Flows from Capital and Related Financing Activities**

Purchase of assets	<u>-</u>
--------------------	----------

Net Cash Used in Capital and Related Financing Activities	-
--------------------------------------------------------------	---

**Cash Flows from Investing Activities**

Interest income	<u>-</u>
-----------------	----------

Net Increase in Cash and Cash Equivalents	12,210.02
-------------------------------------------	-----------

Cash and Cash Equivalents - Beginning of Year	<u>63,860.10</u>
-----------------------------------------------	------------------

Cash and Cash Equivalents - End of Year	<u><u>\$ 76,070.12</u></u>
-----------------------------------------	----------------------------

**Reconciliation of Operating Income (Loss) to Net  
Cash Provided by (Used in) Operating Activities**

Operating income	\$ 7,120.44
------------------	-------------

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>411.92</u>

Net Cash Provided by Operating Activities	<u><u>\$ 13,141.02</u></u>
-------------------------------------------	----------------------------

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

## Town of Phenix, Virginia

### Notes to Financial Statements

Year Ended June 30, 2013

## 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, predominately water services.

The financial statements of the Town of Phenix, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and 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:

### **A. The Financial Reporting Entity**

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- 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 analysis the private sector provides in their annual reports.
- Government-Wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- 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). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and 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 Program 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).
- 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 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. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government, entities for which the government is considered to be financially accountable. The Town only reports activities for itself. It has no component units.

## **B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.



The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that 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, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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 fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The Town's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the Town in fiscal year 2013:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

- a. 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. The General Fund is considered a major fund for financial reporting purposes.
- b. 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 because of legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2013.
- c. Debt Service Funds – The Town does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Water Fund. There are no Debt Service Funds as of June 30, 2013.
- d. Capital Projects Funds – Capital Projects Funds account 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 as of June 30, 2013.

2. *Proprietary Funds*

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

Enterprise Funds – Enterprise Funds account 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. The Enterprise Fund consists of the Water Fund.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. There are no Fiduciary Funds as of June 30, 2013.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The government-wide Statements of Net Position and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The fund financial statements of the General, Special Revenue, Capital Projects, and Agency Funds (for the primary government) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

#### **D. 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.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets 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. The Town’s budget committee submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following 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. Work sessions between the Town Council are conducted on the budget.
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. The appropriation for each fund, function, and department can be revised only by the Town Council. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.

5. The Town legally adopted budgets for the following funds:

General Fund and Water Fund

The Town may adopt budgets for other funds for use as a management control device over such funds.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all Town funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2013, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. The Town Council must approve all appropriations and transfers of appropriated amounts.

**E. Investments**

Investments are reported at fair value, if applicable.

**F. Capital Assets**

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government, and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of \$5,000 is met. The Town does not have any infrastructure in its capital assets since roads, streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 to 50 years
Furniture and other equipment	3 to 25 years

All fixed assets are valued at historical cost or estimated historical cost, if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The Town does not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

## G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## H. 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. At this time, the Town has no long-term debt.

# 2Cash

## Cash and Cash Equivalents

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

The Town maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. The majority of funds in the Town's accounts are invested at all times.

## Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2013:

	Governmental Activities	Business-Type Activities	Total
Primary Government			
Cash and cash equivalents	\$ 227,740.56	\$ 76,070.12	\$ 303,810.68

**Cash on Hand.** The Town had cash on hand of \$100.

# 3Property Taxes

Real property taxes are assessed on property values as of January 1 and attached as an enforceable lien on property as of the date levied by the Town Council. Personal property taxes are assessed on property located in the Town on January 1.

Real estate and personal property taxes are due December 5 each year.

A 5 percent penalty is levied on all taxes not collected on or before their due date.

Property taxes for calendar year 2012 were levied by the Town Council in January 2012 on the assessed value listed as of January 1, 2012.

Property taxes for calendar year 2013 were levied by the Town Council in January 2013 on the assessed value listed as of January 1, 2013.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the Town has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as deferred revenues.

#### 4 Receivables and Due from Other Governments

Receivables at June 30, 2013 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Receivables</b>			
Taxes	\$ 11.70	\$ -	\$ 11.70
Total Receivables	<u>\$ 11.70</u>	<u>\$ -</u>	<u>\$ 11.70</u>

#### 5 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2013:

	<u>Transfers To/From Other Funds</u>	<u>Transfer To</u>	<u>Transfer From</u>
<b>General Fund</b>			
From Water Fund		\$ -	\$ 931.00
<b>Water Fund</b>			
To General Fund		<u>931.00</u>	<u>-</u>
Total Transfers		<u>\$ 931.00</u>	<u>\$ 931.00</u>

There are no Due To's or Due From's.

#### 6 Capital Assets

Following is a summary of changes in capital assets for primary government:

**Primary Government**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</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	(111,498.64)	(6,261.49)	-	(117,760.13)
Furniture, equipment, and vehicles	(8,900.85)	(890.00)	-	(9,790.85)
Total Accumulated Depreciation	(120,399.49)	(7,151.49)	-	(127,550.98)
Other Capital Assets, Net	140,444.04	(7,151.49)	-	133,292.55
Net Capital Assets	<u>\$ 195,223.97</u>	<u>\$ (7,151.49)</u>	<u>\$ -</u>	<u>\$ 188,072.48</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 6,261.49			
Public works	890.00			
Total Depreciation Expense	<u>\$ 7,151.49</u>			

Following is a summary of changes in capital assets for business-type activities:

**Business-Type Activities**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</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	(61,430.92)	(5,608.66)	-	(67,039.58)
Total Accumulated Depreciation	(61,430.92)	(5,608.66)	-	(67,039.58)
Other Capital Assets, Net	139,762.43	(5,608.66)	-	134,153.77
Net Capital Assets	<u>\$ 139,762.43</u>	<u>\$ (5,608.66)</u>	<u>\$ -</u>	<u>\$ 134,153.77</u>
Depreciation expense for water	<u>\$ 5,608.66</u>			

## **7** Claims, Judgments, and Compensated Absences

NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, requires the Town to accrue the liability arising from outstanding claims, judgments, and compensated absences. No accrual has been recorded and management does not believe it is material to the financial statements.

## **8** Contingent Liabilities (Including Federally Assisted Programs - Compliance Audits)

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

At June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

## **9** Legal Compliance

### A. Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

### B. Fund Deficits

No funds had fund deficits.

## **10** Surety Bond Information

**Fidelity & Deposit Co. of Maryland**  
Town Clerk

\$ 50,000.00



# **REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Phenix, Virginia**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

**General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real estate and personal property taxes	\$ 7,500.00	\$ 7,500.00	\$ 7,949.22	\$ 449.22
Total General Property Taxes	7,500.00	7,500.00	7,949.22	449.22
<b>Other Local Taxes</b>				
Bank franchise taxes	45,000.00	45,000.00	46,607.00	1,607.00
Sales taxes	4,100.00	4,100.00	3,429.92	(670.08)
Motor vehicle taxes	2,200.00	2,200.00	2,087.50	(112.50)
Utility taxes/consumption taxes	700.00	700.00	641.26	(58.74)
Business licenses	60.00	60.00	-	(60.00)
Total Other Local Taxes	52,060.00	52,060.00	52,765.68	705.68
<b>Revenue from Use of Money and Property</b>				
Interest earned	800.00	800.00	594.51	(205.49)
Rentals	900.00	900.00	850.00	(50.00)
Total Revenue from Use of Money and Property	1,700.00	1,700.00	1,444.51	(255.49)
<b>Miscellaneous</b>				
	-	-	34.40	34.40
Total Miscellaneous	-	-	34.40	34.40
<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	1,203.00	203.00
Rolling stock tax	3,000.00	3,000.00	3,661.56	661.56
Communication tax	1,500.00	1,500.00	1,438.96	(61.04)
Fire Department Grant	-	-	8,000.00	8,000.00
Total Revenue from the Commonwealth of Virginia	7,600.00	7,600.00	16,435.70	8,835.70
Total Intergovernmental Revenue	7,600.00	7,600.00	16,435.70	8,835.70
Total Revenues	68,860.00	68,860.00	78,629.51	9,769.51
<b>Current Expenditures</b>				
<b>General Government Administration</b>				
Administration	21,000.00	21,000.00	21,454.72	(454.72)
Advertising	200.00	200.00	147.35	52.65
Accounting and legal	5,300.00	5,300.00	4,300.00	1,000.00
Office	1,700.00	1,700.00	913.05	786.95
Postage	400.00	400.00	121.80	278.20
Telephone	1,200.00	1,200.00	866.85	333.15
Dues and subscriptions	625.00	625.00	561.00	64.00
Insurance	3,500.00	3,500.00	3,357.00	143.00

	<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	1,595.53	3,004.47
Janitorial services	360.00	360.00	180.00	180.00
Special events	500.00	500.00	161.80	338.20
Utilities	6,500.00	6,500.00	707.55	5,792.45
Miscellaneous	<u>2,325.00</u>	<u>2,325.00</u>	<u>2,205.10</u>	<u>119.90</u>
Total General Government Administration	48,210.00	48,210.00	36,571.75	11,638.25
<b>Public Safety</b>				
<i>Fire Department</i>				
Utilities	2,500.00	2,500.00	1,571.57	928.43
Donation	<u>4,500.00</u>	<u>4,500.00</u>	<u>13,579.89</u>	<u>(9,079.89)</u>
Total Fire Department	<u>7,000.00</u>	<u>7,000.00</u>	<u>15,151.46</u>	<u>(8,151.46)</u>
Total Public Safety	7,000.00	7,000.00	15,151.46	(8,151.46)
<b>Public Works</b>				
<i>Streets</i>				
Street maintenance	<u>250.00</u>	<u>250.00</u>	<u>923.78</u>	<u>(673.78)</u>
Total Streets	250.00	250.00	923.78	(673.78)
<i>Building and Grounds</i>				
Salaries	-	-	179.50	(179.50)
Repairs and maintenance	4,500.00	4,500.00	2,692.06	1,807.94
Litter Grant expenses	1,000.00	1,000.00	1,280.00	(280.00)
Utilities	<u>2,000.00</u>	<u>2,000.00</u>	<u>7,127.10</u>	<u>(5,127.10)</u>
Total Building and Grounds	<u>7,500.00</u>	<u>7,500.00</u>	<u>11,278.66</u>	<u>(3,778.66)</u>
Total Public Works	7,750.00	7,750.00	12,202.44	(4,452.44)
<b>Parks, Recreation, and Cultural</b>	500.00	500.00	500.00	-
<b>Debt Service</b>	<u>5,400.00</u>	<u>5,400.00</u>	<u>5,387.27</u>	<u>12.73</u>
Total Expenditures	<u>68,860.00</u>	<u>68,860.00</u>	<u>69,812.92</u>	<u>(952.92)</u>
Net Change in Fund Balance Before Transfers	-	-	8,816.59	8,816.59
<b>Other Financing Sources (Uses)</b>				
Transfer to Other Funds	<u>-</u>	<u>-</u>	<u>931.00</u>	<u>931.00</u>
Net Change in Fund Balance After Transfers	<u>\$ -</u>	<u>\$ -</u>	9,747.59	<u>\$ 9,747.59</u>
Fund Balance - Beginning of Year			<u>218,004.67</u>	
Fund Balance - End of Year			<u>\$ 227,752.26</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 Honorable Members of the  
Town Council  
Town of Phenix, 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; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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, 2013, 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 December 13, 2013.

**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  
December 13, 2013