

**TOWN OF STANLEY, VIRGINIA**  
**FINANCIAL AND COMPLIANCE REPORTS**  
**JUNE 30, 2013**

## CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS</b>	1 and 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-12
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide financial statements</b>	
Statement of net position	13
Statement of activities	14
<b>Fund financial statements</b>	
Governmental fund:	
Balance sheet	15
Reconciliation of the balance sheet to the statement of net position	16
Statement of revenues, expenditures, and changes in fund balance	17
Reconciliation of the statement of revenues, expenditures, and changes in the fund balance of the governmental fund to the statement of activities	18
Proprietary funds:	
Statements of net position	19 and 20
Statements of revenues, expenses, and changes in fund net position	21 and 22
Statements of cash flows	23 and 24
<b>Notes to financial statements</b>	25-42
<b>REQUIRED SUPPLEMENTARY INFORMATION-OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	
General fund statement of revenues, expenditures, and changes in fund balance-budget and actual	43
Schedule of funding progress - defined benefit pension plan	44
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Financial statements of individual funds:	
General Fund	
Statement of revenues, compared to budget	45 and 46
Statement of expenditures, compared to budget	47-50
Water Fund	
Statement of revenues, expenses and changes in fund net position - budget and actual	51
Statement of operating expenses, compared to budget	52
Sewer Fund	
Statement of revenues, expenses and changes in fund net position - budget and actual	53
Statement of operating expenses, compared to budget	54
Park Fund	
Statement of revenues, expenses and changes in fund net position - budget and actual	55
Statement of operating expenses, compared to budget	56
Schedule of capital additions	57
<b>COMPLIANCE SECTION</b>	
Independent Auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	58-60

## INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council  
Town of Stanley  
Stanley, VA 22851

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stanley, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Stanley's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Stanley, 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 the required supplementary information, listed in the table of contents, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stanley's basic financial statements. The other supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of the Town of Stanley'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 the Town of Stanley's internal control over financial reporting and compliance.

*Young, Nicholas, Branner & Phillips, LLP*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Stanley's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2013. Please read it in conjunction with the Town's financial statements, which begin on page 13.

### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$3,235,517 at the close of the most recent fiscal year.
- The Town's net position decreased as a result of this year's operations. While net position of the business-type activities decreased by \$88,581, net position of the governmental activities increased by \$12,232.
- In the Town's business-type activities, operating revenues decreased by \$23,409 from the previous year while operating expenses increased by \$16,079.
- In the Town's governmental activities, operating revenues increased by \$93,392 from the previous year while operating expenses increased by \$3,302.
- Actual revenues were \$134,355 more than budgeted for the General Fund. General Fund expenditures were \$125,999 more than budgeted.
- Operating and nonoperating revenues were \$6,951 less than budgeted for the Water Fund and \$16,418 less than budgeted for the Sewer Fund. Operating expenses, excluding depreciation, and interest expense were \$19,405 more than budgeted for the Water Fund and \$18,746 more than budgeted for the Sewer Fund.
- Operating revenues were \$6,827 less than budgeted for the Park Fund. Park Fund operating expenses, excluding depreciation, and interest expense were \$686 more than budgeted.
- The Town had \$177,778 in capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$30,570 during the current fiscal year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 14) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

## Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that help answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net position* and changes in it. You can think of the Town's net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—as one way to measure the Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property base and condition of the Town's roads, to assess the *overall health* of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- *Governmental activities*—Most of the Town's basic services are reported here, including public safety, public works, cultural and recreation and general administration. Property taxes, other local taxes and state and federal grants finance most of these activities.
- *Business-type activities*—The Town charges a fee to customers/users to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system and park activities are reported here.

## Reporting the Town's Most Significant Funds

The fund financial statements begin on page 15 and provide detailed information about the Town's funds—not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the budget ordinance. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental fund*—Most of the Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extend of constraints placed on the Town's fund balances by law, creditors, Town council, and the Town's annually adopted budget. Unassigned fund balance is available for spending for any purpose. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* positions that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and the governmental *fund* in reconciliations following the fund financial statements.
- *Proprietary funds*—When the Town charges customers/users for the services provided it is reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## THE TOWN AS A WHOLE

The Town's *combined* net position changed slightly from a year ago –*decreasing* from \$3,311,866 to \$3,235,517. During the year, the net position of the governmental activities increased by 1.7 percent and the business-type activities decreased by 19.8 percent, respectively. Below is a summary of the net position as of June 30, 2013 and 2012.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 395,980	\$ 369,412	\$ 175,436	\$ 189,125	\$ 571,416	\$ 558,537
Capital assets	<u>675,493</u>	<u>641,552</u>	<u>3,395,497</u>	<u>3,523,905</u>	<u>4,070,990</u>	<u>4,165,457</u>
Total assets	<u>\$ 1,071,473</u>	<u>\$ 1,010,964</u>	<u>\$ 3,570,933</u>	<u>\$ 3,713,030</u>	<u>\$ 4,642,406</u>	<u>\$ 4,723,994</u>
Long-term liabilities	\$ 39,200	\$ 29,822	\$ 953,483	\$ 993,431	\$ 992,683	\$ 1,023,253
Other liabilities	<u>302,802</u>	<u>263,903</u>	<u>111,404</u>	<u>124,972</u>	<u>414,206</u>	<u>388,875</u>
Total liabilities	<u>\$ 342,002</u>	<u>\$ 293,725</u>	<u>\$ 1,064,887</u>	<u>\$ 1,118,403</u>	<u>\$ 1,406,889</u>	<u>\$ 1,412,128</u>
Net position:						
Net investment in capital assets	\$ 636,293	\$ 611,730	\$ 2,442,014	\$ 2,530,474	\$ 3,078,307	\$ 3,142,204
Restricted	32,258	34,710	-	-	32,258	34,710
Unrestricted	<u>60,920</u>	<u>70,799</u>	<u>64,032</u>	<u>64,153</u>	<u>124,952</u>	<u>134,952</u>
Total net position	<u>\$ 729,471</u>	<u>\$ 717,239</u>	<u>\$ 2,506,046</u>	<u>\$ 2,594,627</u>	<u>\$ 3,235,517</u>	<u>\$ 3,311,866</u>

The largest portion of the Town's net position (95 percent) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net position (\$32,258) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$124,952) may be used to meet the government's ongoing obligation to citizens and creditors.

Below is a summary of the change in net position for the governmental and business-type activities for the years ended June 30, 2013 and 2012.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Charges for services	\$ 163,026	\$ 160,104	\$ 844,483	\$ 867,892	\$ 1,007,509	\$ 1,027,996
General property taxes	240,487	220,809	-	-	240,487	220,809
Other local taxes	308,511	282,318	-	-	308,511	282,318
Intergovernmental	113,298	72,834	-	-	113,298	72,834
Miscellaneous	<u>28,806</u>	<u>24,671</u>	<u>-</u>	<u>-</u>	<u>28,806</u>	<u>24,671</u>
Total revenues	<u>\$ 854,128</u>	<u>\$ 760,736</u>	<u>\$ 844,483</u>	<u>\$ 867,892</u>	<u>\$ 1,698,611</u>	<u>\$ 1,628,628</u>

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Program expenses</b>						
General government	\$ 363,321	\$ 366,323	\$ -	\$ -	\$ 363,321	\$ 366,323
Public safety	334,915	314,014	-	-	334,915	314,014
Public works	149,958	180,197	-	-	149,958	180,197
Cultural and recreation	117,809	102,167	49,799	54,024	167,608	156,191
Water	-	-	393,780	365,844	393,780	365,844
Sewer	-	-	402,783	410,415	402,783	410,415
Total expenses	<u>\$ 966,003</u>	<u>\$ 962,701</u>	<u>\$ 846,362</u>	<u>\$ 830,283</u>	<u>\$ 1,812,365</u>	<u>\$ 1,792,984</u>
Operating income (loss)	\$ (111,875)	\$ (201,965)	\$ (1,879)	\$ 37,609	\$ (113,754)	\$ (164,356)
<b>Nonoperating</b>						
Interest income	\$ 374	\$ 583	\$ 265	\$ 415	\$ 639	\$ 998
Interest expense	(409)	(814)	(10,089)	(8,518)	(10,498)	(9,332)
Rental income	1,042	1,850	-	-	1,042	1,850
Grants	-	-	6,712	19,553	6,712	19,553
Gain (loss) on sale of assets	4,431	-	(11,296)	-	(6,865)	-
Total nonoperating	<u>\$ 5,438</u>	<u>\$ 1,619</u>	<u>\$ (14,408)</u>	<u>\$ 11,450</u>	<u>\$ (8,970)</u>	<u>\$ 13,069</u>
Income (loss) before contributions and transfers	\$ (106,437)	\$ (200,346)	\$ (16,287)	\$ 49,059	\$ (122,724)	\$ (151,287)
Contributions	39,100	10,000	7,275	3,374	46,375	13,374
Transfers	<u>79,569</u>	<u>119,808</u>	<u>(79,569)</u>	<u>(119,808)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 12,232</u>	<u>\$ (70,538)</u>	<u>\$ (88,581)</u>	<u>\$ (67,375)</u>	<u>\$ (76,349)</u>	<u>\$ (137,913)</u>

The Town's total revenues increased by \$69,983 (4.3 percent). The total cost of all programs and services increased by \$19,381 (1.1 percent). Our analysis that follows separately considers the operations of governmental and business-type activities.

### Governmental Activities

Operating revenues for the Town's governmental activities increased by \$93,392 (12.3 percent), and operating expenses increased by \$3,302 (.3 percent). The factors driving these results include:

#### Revenues

- *General property taxes* increased by \$19,678. The most significant increase was from real estate and personal property taxes, which increased by \$21,053. The real estate tax rate increased from \$.20/100 to \$.24/100. This increase became effective for the taxes due in the first half of 2013 and accounted for the majority of the increase.
- *Other local taxes* increased by \$26,193. The main increase in this category is from the cigarette tax, which increased by \$19,611. The Town increased the cigarette tax at the beginning of the fiscal year from \$.15 per stamp to \$.24 per stamp. The stamps affix to each pack of cigarettes sold to local retailers. Also during the year, two of the Town's largest retailers began selling cigarettes, which has increased the demand for the stamps. Other increases included sales tax and meals tax, which increased by \$3,054 and \$4,126, respectively. These increases are due to some small growth in the local economy.

- *Intergovernmental revenues* overall increased by \$40,464. Snow removal revenue increased by \$14,250. There were more weather-related events involving snow during the current year compared to a milder winter experienced in the prior year. The Town also received two separate grants from the United States Department of Agriculture, Rural Development. One grant (\$19,600) was a partial reimbursement for the purchase of a trash truck and a sweeper. The other grant (\$10,000) was for reimbursement of various police department equipment.

### Expenses

- *Public safety* increased by \$20,901. Police salaries overall increased by \$15,032. This increase is due to pay raises given during the current year, additional overtime, and the utilization of additional part-time officer hours. Depreciation expense increased by \$4,854 due to the addition of several capital assets. Police employee insurance increased by \$2,857 due to an increase in rates. Equipment repairs decreased by \$4,837. In the prior year, new radios were required as part of a digital transition process.
- *Public works* decreased by \$30,239. Street and sidewalk repair decreased by \$12,744. The prior year included paving for several areas, while the current year's paving expenses were recorded, at the request of the Town Council, in the Water Fund. Trash service decreased by \$13,436 as the result of the Town's negotiating a lower fee on the annual contract. The public works department incurred engineering fees (\$2,982) in the prior year, which were not required during the current year.
- *Cultural and recreation* increased by \$15,642. Homecoming expenses increased by \$7,212 due to an incline in anticipated attendance at the event. Little league expenses increased by \$2,994 due to maintenance on the ball field. Recreation salaries increased by \$4,240 as a result of an increase in accrued compensated absences.

### Contributions

- *Contributions* increased by \$29,100. This increase was from two donations made to the Town. A police car was donated to the police department through a one-time grant from the Department of Justice. Two printers were donated to the police department by military surplus.

### **Business-Type Activities**

Operating revenues for the Town's business-type activities decreased by \$23,409 (2.7 percent) and operating expenses increased by \$16,079 (1.9 percent). The factors driving these results include:

### Revenues

- *Water and sewer revenues* overall decreased by \$19,200. The most significant decreases were to connection fees and facility fees, which decreased by \$42,077 and \$15,063, respectively. Additional connections were requested in the prior year, while the current year declined sharply. Water and sewer fees increased, by \$14,603 and \$19,145, respectively, helping to offset the significant decreases. Water rates were increased by \$1.00 per month, and sewer rates were increased by \$2.00 per month.
- *Park revenues* overall decreased by \$4,209. Pool revenues decreased by \$7,757. Attendance declined after an increase in admission rates. Offsetting the decrease was an increase in pool rentals, which increased by \$4,799, due to the rental of the second cottage this year.

Expenses

- *Water and sewer expenses* overall increased by \$20,304. Supplies increased by \$13,618 from the purchase of water meters and the replenishment of items consumed in prior years. Utilities increased by \$4,558 due to an increase in rates. Repairs and maintenance increased by \$15,157 due in large part to asphalt patching various roads in the Town. The Town Council requested relocation of these costs from the General Fund public works department to the Water Fund. Vehicle expenses increased by \$5,087 because additional repairs were required in the current year. Testing fees increased by \$5,255 from additional required services. Salaries increased by \$5,370 as a result of an increase in accrued compensated absences. Professional and engineering fees decreased by \$29,560. This substantial decrease is the result of two Town projects that were completed in the prior year. The current year has returned to a normal level.
- *Park expenses* decreased by \$4,225. Pool operating expenses and salaries decreased by \$2,073 and \$1,476, respectively. Pool attendance was down in the current year, so costs to operate the pool were reduced.

**THE TOWN'S FUNDS**

As the Town completed the year, its governmental fund (as presented in the balance sheet on page 15) reported a fund balance of \$195,061, which is an increase of \$164 over last year's total of \$194,897. The primary reasons for the General Fund's increase mirror the changes noted in the previous section under "governmental" activities. In addition, the Town expended \$90,997 on capital additions (see page 57), an increase of \$35,660 over the prior year.

As the Town completed the year, its proprietary funds (as presented in the statements of net position on pages 19 and 20) reported net position of \$2,506,046, which is a decrease of \$88,581 over last year's total of \$2,594,627. Significant changes in the change in net position are noted in the previous section under "business-type" activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Town Council did not make any revisions to the General Fund budget. The significant variations of actual results to the General Fund budget (original and final) are summarized below:

<u>Account</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>	
Real estate tax	\$ 16,830
Capital stock tax	7,582
Cigarette tax	19,673
Sales tax	7,670
Trash collection	8,369
Snow removal revenue	12,890
USDA grant, public works equipment	19,600
USDA grant, police equipment	12,000
Meals tax	7,772

<u>Account</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>	
<i>General Government</i>	
Office repairs and maintenance	\$ 8,810
Geographic information system	5,780
<i>Public Safety</i>	
Police car, other expenses	(6,203)
Capital outlay	(9,297)
Police salaries	(11,607)
<i>Public Works</i>	
Capital outlay	(40,950)
Trash service	17,502
<i>Cultural and Recreation</i>	
Homecoming expenses	(6,169)

Actual revenues exceeded final budgetary amounts by \$134,355. The real estate tax rate increased from \$.20/100 to \$.24/100 for the first half 2013 billing. The Town increased the current year budget; however, revenues were even greater than anticipated. The Town also increased the cigarette tax from \$.15 per pack to \$.24 per pack. This increase, coupled with two of the Town's largest retailers' beginning to sell cigarettes during the current year, caused revenues to increase significantly. Sales and meals tax increased by more than expected indicating some small growth in the local economy. Trash collection revenues also rose by more than projected in the current year. Bank stock taxes increased during the current year due to an increase in bank assets. Snow removal revenue rose significantly as a result of more snowfall during the current year compared to a milder winter experienced in the prior year. The Town received two grants during the current year from the United States Department of Agriculture, Rural Development. One grant partially reimbursed the Town for the purchase of a trash truck and sweeper. The other grant reimbursed the police department for various police equipment. Actual expenditures exceeded the final budget by \$125,999. Police salaries increased mainly from additional overtime devoted to public safety; however, these increases were funded by Federal grants. Police car expenses increased during the current year as a result of increased usage for additional patrols and road checks. Capital outlays were required in the police department for additions to a donated police cruiser, a projector, and a server. The projector and server were reimbursed through a USDA Rural Development grant. A capital outlay was required in the public works department for a sweeper. The sweeper was purchased with loan and grant proceeds from USDA Rural Development. Homecoming expenses were greater than anticipated and were partially offset by greater than anticipated revenues. Some positive variances to the current year budget included office repairs and maintenance, geographical information system, and trash service. In the prior year, some of the inside office space was painted and minor floor renovations were made, which were not necessary in the current year. Geographic information system (GIS) costs were budgeted in the current year; however, no costs were incurred. The trash service contract decreased as the result of the Town's negotiating a lower fee on the annual contract.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the Town had \$4.07 million invested in capital assets including public works and police equipment, buildings, park facilities, sidewalks, and the water and sewer system. (See table below.) This represents a net decrease of \$94,467, or 2.27 percent, over last year.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 73,224	\$ 73,224	\$ 193,977	\$ 193,977	\$ 267,201	\$ 267,201
Buildings	216,139	223,714	188,298	173,683	404,437	397,397
Infrastructure	43,699	44,652	8,463	8,949	52,162	53,601
Improvements	153,463	162,717	134,504	142,860	287,967	305,577
Equipment	188,968	137,245	25,439	26,504	214,407	163,749
Utility system	-	-	2,844,816	2,977,932	2,844,816	2,977,932
Totals	<u>\$ 675,493</u>	<u>\$ 641,552</u>	<u>\$ 3,395,497</u>	<u>\$ 3,523,905</u>	<u>\$ 4,070,990</u>	<u>\$ 4,165,457</u>

This year's major additions included:

Sweeper	\$ 40,950
2012 Dodge Charger, donated	36,100
Roof repair, public works building	23,000
Well #6, 50 hp motor	17,024
Sewer pump station, refurbishment	23,255
	<u>\$ 140,329</u>

### Debt

At year-end, the Town had \$992,683 in outstanding loans compared to \$1,023,253 last year. This is a decrease of 2.99 percent as shown in the table that follows.

#### Governmental-Type Activities

	Outstanding June 30,	
	<u>2013</u>	<u>2012</u>
USDA Rural Development	\$ 39,200	\$ -
Town Manager's vehicle, Pioneer Bank	-	1,783
Police vehicle, Pioneer Bank	-	4,539
Trash truck, Pioneer Bank	-	23,500
	<u>\$ 39,200</u>	<u>\$ 29,822</u>

**Business-Type Activities**

	<b>Outstanding June 30,</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
USDA Rural Development	\$ 10,800	\$ -
Dump truck, Pioneer Bank	-	17,500
Roof repair, Pioneer Bank	21,777	-
Capital equipment, Pioneer Bank	5,585	-
Utility improvements, Virginia Resources Authority	353,704	390,937
Sewer system upgrades, Virginia Resources Authority	349,472	374,435
Sewer system upgrades, Pioneer Bank	57,498	-
Sewer system upgrades, Pioneer Bank	-	38,127
Sewer system upgrades, Pioneer Bank	105,760	118,301
Hawksbill Recreation Park, Pioneer Bank	<u>48,887</u>	<u>54,131</u>
	<u>\$ 953,483</u>	<u>\$ 993,431</u>

Debt in the amount of \$195,260 was issued during the year ended June 30, 2013. Of that amount, \$119,708 was utilized to extinguish existing debt. The Town borrowed \$27,000 on an existing loan payable in the General Fund to purchase a sweeper. A loan payable for \$23,000 was issued in the Water Fund to replace the public works building roof. The Town borrowed \$2,298 on an existing loan payable in the Water Fund for additions to the dump truck. The Town borrowed \$23,254 on an existing loan payable in the Sewer Fund to finance sewer system upgrades.

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

The Town anticipates an uncertain economy with little growth expected over the course of the next year.

The final budget for FY2014 is \$1,658,810, an increase of \$35,090 (2.2 percent) over the previous year.

There are several increases included in the FY2014 budget. Real estate tax revenue is budgeted to increase \$35,400 over the prior year. The Town increased the tax rate from \$.20/100 to \$.24/100 for the first half of 2013. This increase will reflect an entire fiscal year at the new rate. Sales and meals taxes are budgeted to increase, by \$7,000 and \$4,000, respectively, to adjust for the increase in prior year actual revenues. Trash fees are budgeted to increase \$6,000 over the prior year as a result of increased usage.

There are also a few decreases included in FY2014 budget. The Town is decreasing landfill run-off treatment revenue \$10,000 in anticipation of less rainfall and snowfall in the upcoming year. Pool admissions are expected to decrease by \$4,000 to reflect the actual revenue collected in the previous year.

There are no rate increases in personal property taxes, business licenses, vehicle licenses, meals taxes, lodging taxes, pole taxes, water rates, sewer rates, trash rates or water and sewer connection fees.

For expenditures, individual line items were reviewed carefully and adjusted to reflect actual results and the implementation of various cost-saving measures. A 3 percent increase in employee pay is allocated in the FY2014 budget.

Expenditures increased in the following categories in the FY2014 budget:

<u>Category</u>	<u>Percent Change</u>
Police	(5.1%)
Recreation	(3.5%)
Water	(7.6%)
Sewer	(3.6%)

The two categories decreasing in the budget are administrative and streets, which are being reduced 1.1 percent and 6.6 percent, respectively. Cigarette stamp purchases and office equipment and maintenance are the main administrative decreases. The cigarette stamps were purchased in the prior year and are usually needed biannually. The prior year budget for office equipment and maintenance was increased for some necessary maintenance. The current reduction is to bring the budget back in line with a normal level of maintenance. Trash service expenses are the main reduction in the streets department. The Town negotiated a lower contract amount in the prior year, and the current year budget is being reduced to reflect the change.

In the FY2014 budget, the Town chooses not to budget for transfers. In analyzing the budget, transfers are expected. Money will be needed in the General Fund, which will ultimately be transferred from revenue generated in the Utility Funds. This money will be transferred as needed to pay bills.

The Town is in the process of a three-phase boundary-line adjustment form of annexation. When all phases are complete, the Town will triple in size. The first phase included extending the Town boundary line to add twelve homes in the Sunset Drive area. Boundary lines were also extended to add homes along Ridge and Brock Avenues. Other boundary adjustments in the first phase included Judy Lane, Petefish Drive, and Pond Avenue. The second phase is estimated to take five years and add more than two times the amount of land added in the first phase. The Town plans to extend the boundary north to Brady Road, west to the Young Drive, Forest Drive, and Church Avenue areas, and southeastward in the Judy Lane area. The third phase includes extending the Town limits south along Donovan Drive, Little Roundhead Road, and Judy Lane Extended. The final phase also plans to incorporate land west of the Town in the direction of Luray. The estimated completion date for phase three could be as long as ten years.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Office at 278 East Main Street, Stanley, Virginia.

## **Government-Wide Financial Statements**

**TOWN OF STANLEY, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	----- Primary Government -----		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 184,119	\$ 97,031	\$ 281,150
Receivables (net of allowance for uncollectibles):			
Property taxes	159,977	-	159,977
Accounts	10,630	55,507	66,137
Utility taxes	2,600	-	2,600
Meals tax	4,557	-	4,557
Leachate	-	9,090	9,090
Vehicle license fees	5,340	-	5,340
Accrued interest	37	35	72
Hook-up fees	-	8,529	8,529
Other	-	1,500	1,500
Due from other governmental units	22,357	-	22,357
Prepaid expenses	6,363	3,744	10,107
Capital assets:			
Non-depreciable	73,224	193,977	267,201
Depreciable, net of accumulated depreciation	<u>602,269</u>	<u>3,201,520</u>	<u>3,803,789</u>
<b>Total assets</b>	<b><u>\$ 1,071,473</u></b>	<b><u>\$ 3,570,933</u></b>	<b><u>\$ 4,642,406</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 28,185	\$ 30,938	\$ 59,123
Accrued expenses	6,921	7,196	14,117
Deposits	-	65,226	65,226
Deferred revenue	142,170	-	142,170
Compensated absences	125,526	8,044	133,570
Long-term liabilities:			
Due within one year	7,148	103,817	110,965
Due in more than one year	<u>32,052</u>	<u>849,666</u>	<u>881,718</u>
<b>Total liabilities</b>	<b><u>\$ 342,002</u></b>	<b><u>\$ 1,064,887</u></b>	<b><u>\$ 1,406,889</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 636,293	\$ 2,442,014	\$ 3,078,307
Restricted	32,258	-	32,258
Unrestricted	<u>60,920</u>	<u>64,032</u>	<u>124,952</u>
<b>Total net position</b>	<b><u>\$ 729,471</u></b>	<b><u>\$ 2,506,046</u></b>	<b><u>\$ 3,235,517</u></b>

See Notes to Financial Statements.

**TOWN OF STANLEY, VIRGINIA**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

<u>Functions/ Programs</u>	<u>Expenses</u>	----- Program Revenues -----		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<b>Governmental activities:</b>				
General government administration	\$ 363,321	\$ 688	\$ -	\$ -
Public safety	334,915	14,379	52,744	44,462
Public works	149,958	145,369	18,093	19,600
Cultural and recreation	117,809	2,590	25,146	-
Interest on long-term debt	<u>409</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 966,412</u>	<u>\$ 163,026</u>	<u>\$ 95,983</u>	<u>\$ 64,062</u>
<b>Business-type activities:</b>				
Water	\$ 394,305	\$ 408,304	\$ 6,712	\$ 7,275
Sewer	410,360	400,006	-	-
Park	<u>51,786</u>	<u>36,173</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 856,451</u>	<u>\$ 844,483</u>	<u>\$ 6,712</u>	<u>\$ 7,275</u>
Total primary government	<u>\$ 1,822,863</u>	<u>\$ 1,007,509</u>	<u>\$ 102,695</u>	<u>\$ 71,337</u>

General revenues:

General property taxes

Other local taxes

Unrestricted revenue from the use of money and property

Grants and contributions not restricted to specific programs

Gain (loss) on sale of assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See Notes to Financial Statements.

<b>Net (Expense) Revenue and Changes in Net Position</b>		
----- Primary Government -----		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (362,633)	\$ -	\$ (362,633)
(223,330)	-	(223,330)
33,104	-	33,104
(90,073)	-	(90,073)
<u>(409)</u>	<u>-</u>	<u>(409)</u>
\$ <u>(643,341)</u>	\$ <u>-</u>	\$ <u>(643,341)</u>
\$ -	\$ 27,986	\$ 27,986
-	(10,354)	(10,354)
<u>-</u>	<u>(15,613)</u>	<u>(15,613)</u>
\$ <u>-</u>	\$ <u>2,019</u>	\$ <u>2,019</u>
\$ <u>(643,341)</u>	\$ <u>2,019</u>	\$ <u>(641,322)</u>
\$ 240,487	\$ -	\$ 240,487
308,511	-	308,511
1,416	265	1,681
19,749	-	19,749
4,431	(11,296)	(6,865)
1,410	-	1,410
<u>79,569</u>	<u>(79,569)</u>	<u>-</u>
\$ <u>655,573</u>	\$ <u>(90,600)</u>	\$ <u>564,973</u>
\$ 12,232	\$ (88,581)	\$ (76,349)
<u>717,239</u>	<u>2,594,627</u>	<u>3,311,866</u>
\$ <u>729,471</u>	\$ <u>2,506,046</u>	\$ <u>3,235,517</u>

## **Fund Financial Statements**

## TOWN OF STANLEY, VIRGINIA

----GOVERNMENTAL FUND----  
**BALANCE SHEET**  
 June 30, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 184,119
Receivables (net of allowance for uncollectibles):	
Property taxes	159,977
Accounts	10,630
Utility taxes	2,600
Meals tax	4,557
Vehicle license fees	5,340
Accrued interest	37
Due from other governmental units	22,357
Prepaid expenses	<u>6,363</u>
<b>Total assets</b>	<b><u>\$ 395,980</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 28,185
Accrued expenses	6,921
Compensated absences	4,222
Deferred revenue	<u>161,591</u>
<b>Total liabilities</b>	<b><u>\$ 200,919</u></b>
<b>Fund Balance</b>	
Nonspendable, prepaid expenses	\$ 6,363
Restricted to:	
Library	32,102
Century Station	156
Unassigned	<u>156,440</u>
<b>Total fund balance</b>	<b><u>\$ 195,061</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 395,980</u></b>

See Notes to Financial Statements.

**TOWN OF STANLEY, VIRGINIA**  
**----GOVERNMENTAL FUND----**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

<b>FUND BALANCE-TOTAL GOVERNMENTAL FUND</b>		<b>\$ 195,061</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.</p>		
Governmental capital assets	\$ 1,103,911	
Less accumulated depreciation	<u>(428,418)</u>	675,493
<p>Certain revenues not available to pay for current period expenditures are not reported in the governmental fund.</p>		
Deferred revenues	<u>\$ 19,421</u>	19,421
<p>Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
Notes payable	\$ (39,200)	
Compensated absences	<u>(121,304)</u>	<u>(160,504)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 729,471</u></b>

**See Notes to Financial Statements.**

**TOWN OF STANLEY, VIRGINIA**  
**---GOVERNMENTAL FUND---**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2013**

	<u>General Fund</u>
<b>REVENUES</b>	
General property taxes	\$ 239,941
Other local taxes	308,901
Permits, privilege fees, and regulatory licenses	688
Fines and forfeitures	14,379
Revenue from the use of money and property	5,847
Charges for services	147,959
Miscellaneous	28,806
Intergovernmental revenues:	
Commonwealth	76,427
County	1,203
Federal	<u>35,668</u>
Total revenues	<u>\$ 859,819</u>
<b>EXPENDITURES</b>	
General government administration	\$ 351,774
Public safety	320,759
Public works	177,910
Cultural and recreation	97,699
Debt service	<u>57,282</u>
Total expenditures	<u>\$ 1,005,424</u>
Deficiency of revenues over expenditures	<u>\$ (145,605)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Financing, loan proceeds	\$ 66,200
Transfers in	158,597
Transfers out	<u>(79,028)</u>
Total other financing sources (uses)	<u>\$ 145,769</u>
Net change in fund balance	\$ 164
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>194,897</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 195,061</u></u>

See Notes to Financial Statements.

## TOWN OF STANLEY, VIRGINIA

## ---GOVERNMENTAL FUND---

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN THE FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

**NET CHANGE IN FUND BALANCE-TOTAL GOVERNMENTAL FUND** **\$ 164**

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

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives.

Expenditures for capital assets	\$ 51,897	
Less current year depreciation	<u>(57,056)</u>	(5,159)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental fund. This amount is the net change in these revenues.

Public safety capital contribution	\$ 39,100	
Property taxes	546	
Vehicle license fees	<u>(390)</u>	39,256

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

Change in accrued interest	\$ 51	
Change in long-term compensated absences	<u>(12,702)</u>	(12,651)

Loan proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.

Principal proceeds	\$ (66,200)	
Principal repayments	<u>56,822</u>	<u>(9,378)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 12,232**

See Notes to Financial Statements.

**TOWN OF STANLEY, VIRGINIA**  
**---- PROPRIETARY FUNDS ----**  
**STATEMENTS OF NET POSITION**  
**June 30, 2013**

	----- Enterprise Funds -----			Total
	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	<u>Enterprise</u> <u>Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 45,963	\$ 6,534	\$ 52,497
Restricted cash and cash equivalents, deposits	44,534	-	-	44,534
Accounts receivable:				
Billings	25,167	30,340	-	55,507
Hook-up fees	129	8,400	-	8,529
Leachate	-	9,090	-	9,090
Other	1,500	-	-	1,500
Prepaid expenses	2,150	1,594	-	3,744
Accrued interest	32	3	-	35
Total current assets	<u>\$ 73,512</u>	<u>\$ 95,390</u>	<u>\$ 6,534</u>	<u>\$ 175,436</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 77,348	\$ 3,500	\$ 113,129	\$ 193,977
Buildings	140,898	-	203,462	344,360
Improvements other than buildings	-	-	237,417	237,417
Infrastructure	-	-	9,718	9,718
Utility plants, distribution and collection systems	918,032	6,106,475	-	7,024,507
Equipment	163,366	90,696	15,075	269,137
Less accumulated depreciation	<u>(747,283)</u>	<u>(3,722,565)</u>	<u>(213,771)</u>	<u>(4,683,619)</u>
Total noncurrent assets	<u>\$ 552,361</u>	<u>\$ 2,478,106</u>	<u>\$ 365,030</u>	<u>\$ 3,395,497</u>
<b>Total assets</b>	<u>\$ 625,873</u>	<u>\$ 2,573,496</u>	<u>\$ 371,564</u>	<u>\$ 3,570,933</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 17,963	\$ 11,091	\$ 1,884	\$ 30,938
Accrued benefits	1,335	1,168	-	2,503
Accrued interest	10	184	94	288
Accrued payroll	1,762	1,533	1,110	4,405
Compensated absences	3,602	4,442	-	8,044
Deposits	63,633	-	1,593	65,226
Bonds, notes and loans payable	<u>15,022</u>	<u>83,344</u>	<u>5,451</u>	<u>103,817</u>
Total current liabilities	<u>\$ 103,327</u>	<u>\$ 101,762</u>	<u>\$ 10,132</u>	<u>\$ 215,221</u>
Noncurrent liabilities:				
Bonds, notes and loans payable	<u>\$ 23,140</u>	<u>\$ 783,090</u>	<u>\$ 43,436</u>	<u>\$ 849,666</u>
Total noncurrent liabilities	<u>\$ 23,140</u>	<u>\$ 783,090</u>	<u>\$ 43,436</u>	<u>\$ 849,666</u>
<b>Total liabilities</b>	<u>\$ 126,467</u>	<u>\$ 884,852</u>	<u>\$ 53,568</u>	<u>\$ 1,064,887</u>

(Continued)

## TOWN OF STANLEY, VIRGINIA

---- PROPRIETARY FUNDS ----  
 STATEMENTS OF NET POSITION  
 June 30, 2013

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 514,199	\$ 1,611,672	\$ 316,143	\$ 2,442,014
Unrestricted	<u>(14,793)</u>	<u>76,972</u>	<u>1,853</u>	<u>64,032</u>
<b>Total net position</b>	<u>\$ 499,406</u>	<u>\$ 1,688,644</u>	<u>\$ 317,996</u>	<u>\$ 2,506,046</u>

See Notes to Financial Statements.

## TOWN OF STANLEY, VIRGINIA

----PROPRIETARY FUNDS----  
**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION**  
Year Ended June 30, 2013

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	
<b>OPERATING REVENUES</b>				
Water fees	\$ 375,539	\$ -	\$ -	\$ 375,539
Sewer fees	-	330,487	-	330,487
Connection fees	725	750	-	1,475
Facility fees	2,781	406	-	3,187
Landfill run-off treatment	-	68,363	-	68,363
Penalties	24,767	-	-	24,767
Pool	-	-	20,625	20,625
Rentals	-	-	13,520	13,520
Activities	-	-	2,028	2,028
Other	4,492	-	-	4,492
Total operating revenues	<u>\$ 408,304</u>	<u>\$ 400,006</u>	<u>\$ 36,173</u>	<u>\$ 844,483</u>
<b>OPERATING EXPENSES</b>				
Salaries	\$ 119,300	\$ 89,329	\$ 12,052	\$ 220,681
Employee - insurance	26,875	13,045	-	39,920
- retirement	15,033	12,182	-	27,215
Payroll taxes	8,869	6,205	837	15,911
Utilities	65,109	31,151	6,461	102,721
Telephone	928	3,741	559	5,228
Supplies	42,605	21,874	23	64,502
Uniforms	2,035	999	-	3,034
Repairs and maintenance	25,774	14,364	4,361	44,499
Pool operating	-	-	5,917	5,917
Professional and engineering fees	-	19,383	-	19,383
Office expense	3,879	456	-	4,335
Vehicle expense	19,875	9,670	-	29,545
Fund raising	-	-	790	790
Memberships and training	350	-	-	350
Miscellaneous	3,294	169	1,127	4,590
Testing	1,988	11,775	-	13,763
Sludge fees	-	4,530	-	4,530
Depreciation	28,732	160,918	14,243	203,893
Tank repairs	17,426	-	-	17,426
Licensing fee	-	-	3,419	3,419
Cottage sales and use tax	-	-	10	10
Reimbursable expenses:				
Wellhead protection costs	6,712	-	-	6,712
Operations fee	4,996	2,992	-	7,988
Total operating expenses	<u>\$ 393,780</u>	<u>\$ 402,783</u>	<u>\$ 49,799</u>	<u>\$ 846,362</u>
Operating income (loss)	<u>\$ 14,524</u>	<u>\$ (2,777)</u>	<u>\$ (13,626)</u>	<u>\$ (1,879)</u>

(Continued)

## TOWN OF STANLEY, VIRGINIA

----PROPRIETARY FUNDS----  
**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION**  
Year Ended June 30, 2013

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	
<b>NONOPERATING REVENUES (EXPENSE)</b>				
Department of Environmental Quality, wellhead protection grant	\$ 6,712	\$ -	\$ -	\$ 6,712
Interest income	136	129	-	265
Interest expense	(525)	(7,577)	(1,987)	(10,089)
(Loss) on sale of equipment	<u>(6,596)</u>	<u>(4,700)</u>	<u>-</u>	<u>(11,296)</u>
Total nonoperating revenues (expense)	<u>\$ (273)</u>	<u>\$ (12,148)</u>	<u>\$ (1,987)</u>	<u>\$ (14,408)</u>
Income (loss) before contributions and transfers	<u>\$ 14,251</u>	<u>\$ (14,925)</u>	<u>\$ (15,613)</u>	<u>\$ (16,287)</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions:				
Southeast Rural Community Assistance Project, Inc., grant	\$ 1,875	\$ -	\$ -	\$ 1,875
United States Department of Agriculture, Rural Development grant	5,400	-	-	5,400
Transfers in	77,632	-	8,757	86,389
Transfers out	<u>(119,494)</u>	<u>(46,464)</u>	<u>-</u>	<u>(165,958)</u>
Total contributions and transfers	<u>\$ (34,587)</u>	<u>\$ (46,464)</u>	<u>\$ 8,757</u>	<u>\$ (72,294)</u>
Change in net position	\$ (20,336)	\$ (61,389)	\$ (6,856)	\$ (88,581)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>519,742</u>	<u>1,750,033</u>	<u>324,852</u>	<u>2,594,627</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 499,406</u>	<u>\$ 1,688,644</u>	<u>\$ 317,996</u>	<u>\$ 2,506,046</u>

See Notes to Financial Statements.

## TOWN OF STANLEY, VIRGINIA

---PROPRIETARY FUNDS---  
**STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2013**

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 414,141	\$ 395,893	\$ 36,848	\$ 846,882
Cash payments to suppliers of goods and services	(243,316)	(177,235)	(23,744)	(444,295)
Cash payments to employees	<u>(116,894)</u>	<u>(87,032)</u>	<u>(10,942)</u>	<u>(214,868)</u>
Net cash provided by (used in) operating activities	<u>\$ 53,931</u>	<u>\$ 131,626</u>	<u>\$ 2,162</u>	<u>\$ 187,719</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash received from Department of Environmental Quality	\$ 6,712	\$ -	\$ -	\$ 6,712
Cash received from Southeast Rural Community Assistance Project, Inc.	-	17,501	-	17,501
Operating transfers from other funds	77,632	-	8,757	86,389
Operating transfers to other funds	<u>(119,494)</u>	<u>(46,464)</u>	<u>-</u>	<u>(165,958)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (35,150)</u>	<u>\$ (28,963)</u>	<u>\$ 8,757</u>	<u>\$ (55,356)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Cash received from United States Department of Agriculture, Rural Development	\$ 5,400	\$ -	\$ -	\$ 5,400
Cash received from Southeast Rural Community Assistance Project, Inc.	3,749	-	-	3,749
Borrowings used to acquire property and equipment	44,425	84,635	-	129,060
Acquisition of property and equipment	(48,042)	(39,707)	-	(87,749)
Principal payments on notes payable	(23,763)	(140,001)	(5,244)	(169,008)
Interest paid	<u>(551)</u>	<u>(7,590)</u>	<u>(1,997)</u>	<u>(10,138)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (18,782)</u>	<u>\$ (102,663)</u>	<u>\$ (7,241)</u>	<u>\$ (128,686)</u>

(Continued)

## TOWN OF STANLEY, VIRGINIA

---PROPRIETARY FUNDS---  
**STATEMENTS OF CASH FLOWS**  
 Year Ended June 30, 2013

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earned on investments	\$ 150	\$ 129	\$ -	\$ 279
Net cash provided by (used in) investing activities	\$ 150	\$ 129	\$ -	\$ 279
Net increase (decrease) in cash and cash equivalents	\$ 149	\$ 129	\$ 3,678	\$ 3,956
<b>Cash and cash equivalents:</b>				
Beginning	<u>44,385</u>	<u>45,834</u>	<u>2,856</u>	<u>93,075</u>
Ending	<u>\$ 44,534</u>	<u>\$ 45,963</u>	<u>\$ 6,534</u>	<u>\$ 97,031</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 14,524	\$ (2,777)	\$ (13,626)	\$ (1,879)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	28,732	160,918	14,243	203,893
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(768)	(1,979)	-	(2,747)
(Increase) decrease in hook-up fees receivable	2,731	6,956	-	9,687
(Increase) decrease in leachate receivable	-	(9,090)	-	(9,090)
(Increase) decrease in prepaid expenses	480	(74)	-	406
Increase (decrease) in accounts payable and accrued expenses	4,358	(22,328)	870	(17,100)
Increase (decrease) in customer deposits	<u>3,874</u>	<u>-</u>	<u>675</u>	<u>4,549</u>
Net cash provided by (used in) operating activities	<u>\$ 53,931</u>	<u>\$ 131,626</u>	<u>\$ 2,162</u>	<u>\$ 187,719</u>

See Notes to Financial Statements.

**TOWN OF STANLEY, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Stanley, Virginia, is a municipality governed by a five-member Town Council and Mayor. Daily operations are conducted by a Town Manager. In determining the reporting entity, the Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." Based on the criteria provided in that Statement there are no agencies or entities that should be presented with the Town.

**B. Governmental Accounting Standards**

The Town follows the general provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement identifies the financial reporting requirements of state and local governments.

**C. Government-Wide and Fund Financial Statements**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable 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 or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)**Government-Wide Financial Statements

The Town government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 45 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, sales and use taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The General Fund is the Town’s only governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)**

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Water Fund-accounts for the activities related to the provision of water services to Town's businesses, residents, schools, and churches. It operates its wells and water distribution systems.

Sewer Fund-accounts for the activities related to the provision of sewer services to Town's businesses, residents, schools, and churches. It operates the sewer treatment plant, sewer collection systems, and pump stations.

Park Fund-accounts for all of the Town's recreational activities.

**E. Assets, Liabilities and Equity**Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash on hand, checking accounts, savings accounts, money market funds and highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical collection data and specific account analysis. Major receivable balances for the governmental activities include sales and use taxes, meals taxes, and utility taxes. Business-type activities report utilities and interest earnings as their major receivables. The Town grants credit to the customers of its water, sewer and trash systems. The customers are either local businesses or residents.

In the fund financial statements, major receivable balances and the allowances for uncollectible accounts are the same as those in the governmental and business-type activities.

Property Taxes

Real estate and personal property taxes are assessed annually by Page County, Virginia, for all property of record as of January 1. Property taxes attach as an enforceable lien on property as of January 1. The Town collects real estate and personal property taxes on a semi-annual basis (one-half due June 5, one-half due December 5). The portion of the tax receivable that is not collected within 45 days after June 30 is shown as deferred revenue in the fund financial statements. A penalty of 10 percent of the tax is assessed for payments received after the applicable payment date. Interest is then accrued on the outstanding balance at 10 percent annually.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)**

The taxes receivable balance at June 30, 2013, includes amounts not yet billed or received from the second-half January 1, 2013, levy (due December 5, 2013). These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2014.

The Town calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2013, amounted to \$22,755.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

During the course of operations transactions occur that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivable and payables between funds are eliminated in the Statement of Net Position.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in the governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns. In general, the Town defines capital assets as assets with an initial, individual cost of more than \$1,000 (not rounded) and an estimated useful life in excess of one year. Capital assets are carried at historical cost except for donated capital assets that are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	20-50 years
Utility System	25-50 years
Machinery and Equipment	5-15 years
Infrastructure	20 years

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

The accounting treatment of the long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but not used vacation and sick pay benefits. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported for compensated absences in governmental funds only to the extent that it is expected to be liquidated with expendable available financial resources as a result of employee resignations and retirements.

Deferred Revenue

Deferred revenue is recorded when asset recognition criteria (measurable) have been met, but revenue recognition (available) criteria have not been met.

Equity Classifications*Government-Wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets-consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position-consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These assets are reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted-all other net position is reported in this category.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (Continued)

#### *Fund Statements*

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable 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 the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Town Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned** - All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

### F. Revenues, Expenditures, and Expenses

#### Governmental Fund Revenues

As mentioned above, governmental fund revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, property taxes not collected within 45 days after year-end are reflected as deferred revenues-uncollected property taxes. The Town recognizes sales and utility taxes remitted to the Town as revenues and receivables in the month preceding receipt. Licenses and permits 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 specific expenditure.

#### Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

#### Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by function for the governmental fund and by operating and nonoperating for the proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)**Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

Fringe benefits

Fringe benefits of the Town include:

- a. Pension Plan - Employees of the Town participate in the Virginia Retirement System (VRS). VRS is administered by the Commonwealth, which bills the Town for the employer share of contributions. VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of the benefit depending on length of service and earnings. The Town also purchases group term life insurance from the VRS for eligible employees.
- b. Social Security System - All employees participate in the Federal Social Security Program. The employer share of FICA taxes for the employees is the responsibility of the Town.
- c. Health Insurance - The Town provides health insurance coverage for all full-time, salaried permanent employees.

**G. Estimates and Assumptions**

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

**H. Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

**I. Recently Issued and Adopted Accounting Pronouncements**

In December, 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the Town's financial statements.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)**

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

**Note 2. Stewardship, Compliance, and Accountability****A. Budgetary Information**

An annual budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Amounts shown in the accompanying financial statements as "budget" represent the original and final operating budget for the fiscal year 2013.

A budget is also adopted for the Enterprise Funds as an operating guideline. Budget to actual information is shown as other supplementary information. Below is a summary of budgeted information that is not included in the Enterprise Fund's Statements of Revenues, Expenses and Changes in Fund Net Position- Budget and Actual:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Park Fund</u>
Security deposits (net)	\$ 1,000	\$ -	\$ 300
Debt proceeds	-	-	-
Debt retirement	-	(80,291)	(5,451)
Capital outlay	<u>(5,532)</u>	<u>(24,000)</u>	<u>-</u>
	<u>\$ (4,532)</u>	<u>\$ (104,291)</u>	<u>\$ (5,151)</u>

Actual amounts for the above items during fiscal year 2013 were as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Park Fund</u>
Security deposits (net)	\$ 3,874	\$ -	\$ -
Debt proceeds	44,425	84,635	-
Debt retirement	(23,763)	(140,001)	(5,244)
Capital outlay	<u>(46,169)</u>	<u>(40,612)</u>	<u>-</u>
	<u>\$ (21,633)</u>	<u>\$ (95,978)</u>	<u>\$ (5,244)</u>

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2013, General Fund expenditures exceeded appropriations in Public Safety, Public Works, Cultural and Recreation, and Debt Service by \$40,075, \$28,310, \$22,538, and \$50,822, respectively. These over expenditures were funded by greater than anticipated revenues, transfers into the General Fund, and available fund balance.

## NOTES TO FINANCIAL STATEMENTS

**Note 3. Cash and Cash Equivalents**

Deposits:

Below is a summary of the Town's accounts/deposits as held by Pioneer Bank, at June 30, 2013:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>General</u>		
Checking	\$ 90,802	\$ 129,770
Checking, payroll	(58)	4,208
Checking, police	5,673	5,673
Checking, homecoming	8,078	9,948
Checking, recreation	634	797
Checking, library	1,808	1,808
Checking, Century Station	156	156
Certificates of deposit	77,001	77,001
<u>Water</u>		
Certificate of deposit	44,534	44,534
<u>Sewer</u>		
Checking, capital improvements	779	779
Certificate of deposit	45,184	45,184
<u>Park</u>		
Checking, Hawksbill Recreation	<u>6,534</u>	<u>6,534</u>
	<u>\$ 281,125</u>	<u>\$ 326,392</u>

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. 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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

Petty cash:

The Town had the following amount of petty cash on hand at June 30, 2013:

General	<u>\$ 25</u>
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## NOTES TO FINANCIAL STATEMENTS

**Note 4. Receivables**

Receivables as of June 30, 2013, for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:				
Interest	\$ 37	\$ 32	\$ 3	\$ 72
Property taxes	182,732	-	-	182,732
Hook-up fees	-	129	8,400	8,529
Utility tax	2,600	-	-	2,600
Leachate	-	-	9,090	9,090
Vehicle license fees	5,340	-	-	5,340
Meals tax	4,557	-	-	4,557
Accounts	10,630	25,167	30,340	66,137
Other	-	1,500	-	1,500
Gross receivables	<u>\$ 205,896</u>	<u>\$ 26,828</u>	<u>\$ 47,833</u>	<u>\$ 280,557</u>
Less: allowance for uncollectibles	<u>(22,755)</u>	<u>-</u>	<u>-</u>	<u>(22,755)</u>
Net total receivables	<u>\$ 183,141</u>	<u>\$ 26,828</u>	<u>\$ 47,833</u>	<u>\$ 257,802</u>

**Note 5. Due from Other Governmental Units**

Due from other governmental units consists of the following:

Commonwealth of Virginia:		
Department of Motor Vehicles, Highway Safety Program grant	\$	1,935
Department of Taxation, communications tax collected for the Town		2,690
Department of Fire Programs, fire program grant		8,000
Railroad rolling stock		2,835
County of Page, Virginia:		
Sales tax collected for the Town		5,606
Court fines collected for the Town		<u>1,291</u>
	<u>\$</u>	<u>22,357</u>

**Note 6. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 73,224	\$ -	\$ -	\$ 73,224
Total capital assets not being depreciated	<u>\$ 73,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,224</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 6. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Buildings	\$ 334,768	\$ -	\$ -	\$ 334,768
Improvements other than buildings	198,413	-	-	198,413
Machinery and equipment	398,801	89,347	(45,517)	442,631
Infrastructure	<u>53,225</u>	<u>1,650</u>	<u>-</u>	<u>54,875</u>
Total capital assets being depreciated	<u>\$ 985,207</u>	<u>\$ 90,997</u>	<u>\$ (45,517)</u>	<u>\$ 1,030,687</u>
Less accumulated depreciation for				
Buildings	\$ 111,054	\$ 7,575	\$ -	\$ 118,629
Improvements other than buildings	35,696	9,254	-	44,950
Machinery and equipment	261,556	37,624	(45,517)	253,663
Infrastructure	<u>8,573</u>	<u>2,603</u>	<u>-</u>	<u>11,176</u>
Total accumulated depreciation	<u>\$ 416,879</u>	<u>\$ 57,056</u>	<u>\$ (45,517)</u>	<u>\$ 428,418</u>
Total capital assets being depreciated, net	<u>\$ 568,328</u>	<u>\$ 33,941</u>	<u>\$ -</u>	<u>\$ 602,269</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 641,552</u>	<u>\$ 33,941</u>	<u>\$ -</u>	<u>\$ 675,493</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 193,977	\$ -	\$ -	\$ 193,977
Total capital assets not being depreciated	<u>\$ 193,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,977</u>
Capital assets being depreciated				
Buildings	\$ 321,360	\$ 23,000	\$ -	\$ 344,360
Improvements other than buildings	237,417	-	-	237,417
Infrastructure	9,718	-	-	9,718
Utility system	6,978,956	60,350	(14,799)	7,024,507
Machinery and equipment	<u>268,855</u>	<u>3,431</u>	<u>(3,149)</u>	<u>269,137</u>
Total capital assets being depreciated	<u>\$ 7,816,306</u>	<u>\$ 86,781</u>	<u>\$ (17,948)</u>	<u>\$ 7,885,139</u>
Less accumulated depreciation for				
Buildings	\$ 147,677	\$ 8,385	\$ -	\$ 156,062
Improvements other than buildings	94,557	8,356	-	102,913
Infrastructure	769	486	-	1,255
Utility system	4,001,024	182,170	(3,503)	4,179,691
Machinery and equipment	<u>242,351</u>	<u>4,496</u>	<u>(3,149)</u>	<u>243,698</u>
Total accumulated depreciation	<u>\$ 4,486,378</u>	<u>\$ 203,893</u>	<u>\$ (6,652)</u>	<u>\$ 4,683,619</u>
Total capital assets being depreciated, net	<u>\$ 3,329,928</u>	<u>\$ (117,112)</u>	<u>\$ (11,296)</u>	<u>\$ 3,201,520</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 3,523,905</u>	<u>\$ (117,112)</u>	<u>\$ (11,296)</u>	<u>\$ 3,395,497</u>

## NOTES TO FINANCIAL STATEMENTS

**Note 6. Capital Assets (Continued)**

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

**GOVERNMENTAL ACTIVITIES**

General government administration	\$ 4,801
Public safety	23,339
Public works	12,998
Cultural and recreation	<u>15,918</u>

Total depreciation expense-governmental activities	<u>\$ 57,056</u>
--	------------------

**BUSINESS-TYPE ACTIVITIES**

Water	\$ 28,732
Sewer	160,918
Park	<u>14,243</u>

Total depreciation expense-business-type activities	<u>\$ 203,893</u>
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**Note 7. Deferred & Unearned Revenue**

The following is a summary of deferred and unearned revenue by fund/activity at June 30, 2013:

**Fund Statements**

	<u>General Fund</u>
Property taxes billed in fiscal year 2014	\$ 142,170
Uncollected property tax billing	15,131
Uncollected vehicle license billing	4,290
	<u>\$ 161,591</u>

**Government-Wide Statements**

	<u>General Fund</u>
Property taxes billed in fiscal year 2014	<u>\$ 142,170</u>
	<u>\$ 142,170</u>

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Long-Term Debt**

A summary of long-term debt activity for the year ended June 30, 2013, is as follows. Additional detailed information is available below and on the following page.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within One Year</u>
<b><u>Governmental-type activities</u></b>					
<i>General Fund</i>					
Loans payable:					
USDA Rural Development	\$ -	\$ 39,200	\$ -	\$ 39,200	\$ 7,148
Pioneer Bank	1,783	-	(1,783)	-	-
Pioneer Bank	4,539	-	(4,539)	-	-
Pioneer Bank	<u>23,500</u>	<u>27,000</u>	<u>(50,500)</u>	<u>-</u>	<u>-</u>
	<u>\$ 29,822</u>	<u>\$ 66,200</u>	<u>\$ (56,822)</u>	<u>\$ 39,200</u>	<u>\$ 7,148</u>
<b><u>Business-type activities</u></b>					
<i>Water Fund</i>					
Loans payable:					
USDA Rural Development	\$ -	\$ 10,800	\$ -	\$ 10,800	\$ 1,969
Pioneer Bank	-	23,000	(1,223)	21,777	7,468
Pioneer Bank	-	8,327	(2,742)	5,585	5,585
Pioneer Bank	17,500	2,298	(19,798)	-	-
<i>Sewer Fund</i>					
Loans payable:					
Pioneer Bank	118,301	-	(12,541)	105,760	13,170
Pioneer Bank	38,127	23,254	(61,381)	-	-
Pioneer Bank	-	61,381	(3,883)	57,498	7,980
Virginia Resources Authority	390,937	-	(37,233)	353,704	37,232
Virginia Resources Authority	374,435	-	(24,963)	349,472	24,962
<i>Park Fund</i>					
Loan payable:					
Pioneer Bank	<u>54,131</u>	<u>-</u>	<u>(5,244)</u>	<u>48,887</u>	<u>5,451</u>
	<u>\$ 993,431</u>	<u>\$ 129,060</u>	<u>\$ (169,008)</u>	<u>\$ 953,483</u>	<u>\$ 103,817</u>

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Long-Term Debt (Continued)**

The Town received a loan and grant combination from the United States Department of Agriculture, Rural Development in September, 2012. Proceeds from the loan, in the amount of \$50,000, were used to retire debt originally used to purchase a trash truck (found in the General Fund), a sweeper (found in the General Fund), and a dump truck (found in the Water Fund). The loan is for a five-year term and bears interest at a rate of 4.625 percent. The loan is secured by the capital items purchased. Annual payments of \$11,430, including interest, commence in September, 2013.

The note payable to Pioneer Bank in the amount of \$21,777 is an installment obligation with monthly payments of \$671, including interest. The note is for a three-year term and bears interest at the rate of 3.12 percent. The note is secured by the Town's pledge of its full faith and credit. Total interest expense incurred on the loan for year ended June 30, 2013, was \$120.

The note payable to Pioneer Bank in the amount of \$5,585 is an installment obligation with monthly payments of \$705, including interest. The note is for a one-year term and bears interest at the rate of 2.96 percent. The note is secured by the Town's pledge of its full faith and credit. Total interest expense incurred on the loan for year ended June 30, 2013, was \$86.

The note payable to Pioneer Bank in the amount of \$105,760 is an installment obligation with monthly payments of \$1,505, including interest. The note is for a ten-year term and bears interest at the rate of 4.90 percent. The note is secured by land owned by the Town. Total interest expense incurred on the loan for year ended June 30, 2013, was \$5,497.

The note payable to Pioneer Bank in the amount of \$57,498 is an installment obligation with monthly payments of \$830, including interest. The note is for a seven-year term and bears interest at the rate of 3.62 percent. The note is secured by the Town's pledge of its full faith and credit. Total interest expense incurred on the loan for year ended June 30, 2013, was \$1,107.

The Town signed a financing agreement on February 27, 2002, with the Virginia Resources Authority that commits \$750,000 to the Town for use towards utility improvement projects. Total loan proceeds in the amount of \$744,775 were disbursed to the Town on the project. The loan bears no interest and is secured by revenues and the Town's pledge of its full faith and credit. The Town is required to make \$18,616 semi-annual (due each June 1 and December 1) installment payments on the loan. The loan matures December 1, 2022. As of June 30, 2013, principal payments of \$391,071 have been made against the loan.

The Town signed a financing agreement on June 22, 2006, with the Virginia Resources Authority that commits \$500,000 to the Town for use towards wastewater treatment and sewer system collection upgrade projects. Total loan proceeds in the amount of \$499,265 were disbursed to the Town on the project. The loan bears no interest and is secured by revenues and the Town's pledge of its full faith and credit. The Town is required to make \$12,481 semi-annual (due each May 1 and November 1) installment payments on the loan. The loan matures May 1, 2027. As of June 30, 2013, principal payments of \$149,793 have been made against the loan.

The note payable to Pioneer Bank in the amount of \$48,887 is an installment obligation with monthly payments of \$603, including interest. The note is for a five-year term and bears interest at the rate of 3.86 percent. The note is secured by the wastewater treatment plant and land adjoining the Hawksbill Recreation Park. Total interest expense incurred on the loan for year ended June 30, 2013, was \$1,987.

## NOTES TO FINANCIAL STATEMENTS

## Note 8. Long-Term Debt (Continued)

Debt Maturity

Annual requirements to amortize long-term debt and related interest at June 30, 2013, are as follows:

**Principal:**

	USDA Rural Development	Virginia Resources Authority	Virginia Resources Authority	Pioneer Bank	Pioneer Bank	Pioneer Bank	Pioneer Bank	Pioneer Bank	Total
2014	\$ 9,117	\$ 37,232	\$ 24,962	\$ 7,468	\$ 5,585	\$ 13,170	\$ 7,980	\$ 5,451	\$ 110,965
2015	9,538	37,232	24,962	7,704	-	13,829	8,277	5,665	107,207
2016	9,980	37,232	24,962	6,605	-	14,523	8,586	37,771	139,659
2017	10,441	37,232	24,962	-	-	15,250	8,907	-	96,792
2018	10,924	37,232	24,962	-	-	16,015	9,239	-	98,372
2019 - 2023	-	167,544	124,810	-	-	32,973	14,509	-	339,836
2024 - 2027	-	-	99,852	-	-	-	-	-	99,852
	<u>\$ 50,000</u>	<u>\$ 353,704</u>	<u>\$ 349,472</u>	<u>\$ 21,777</u>	<u>\$ 5,585</u>	<u>\$ 105,760</u>	<u>\$ 57,498</u>	<u>\$ 48,887</u>	<u>\$ 992,683</u>

**Interest:**

	USDA Rural Development	Virginia Resources Authority	Virginia Resources Authority	Pioneer Bank	Pioneer Bank	Pioneer Bank	Pioneer Bank	Pioneer Bank	Total
2014	\$ 2,313	\$ -	\$ -	\$ 573	\$ 56	\$ 4,889	\$ 1,977	\$ 1,791	\$ 11,599
2015	1,891	-	-	337	-	4,229	1,679	1,577	9,713
2016	1,450	-	-	95	-	3,536	1,370	1,145	7,596
2017	988	-	-	-	-	2,808	1,050	-	4,846
2018	504	-	-	-	-	2,044	718	-	3,266
2019 - 2023	-	-	-	-	-	1,640	424	-	2,064
	<u>\$ 7,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,005</u>	<u>\$ 56</u>	<u>\$ 19,146</u>	<u>\$ 7,218</u>	<u>\$ 4,513</u>	<u>\$ 39,084</u>

## Note 9. Interfund Transfers

Interfund transfers during the year ended June 30, 2013, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 158,597	\$ 79,028
Water Fund	77,632	119,494
Sewer Fund	-	46,464
Park Fund	8,757	-
	<u>\$ 244,986</u>	<u>\$ 244,986</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTES TO FINANCIAL STATEMENTS

**Note 10. Restricted Net Assets**

Restricted net assets are comprised of the following as of June 30, 2013:

<u>Activity</u>	<u>Restricted By</u>	<u>Amount</u>
Library	Contributors	\$ 32,102
Century Station	Contributors	<u>156</u>
		<u>\$ 32,258</u>

The fund balance on the governmental fund balance sheet also has a reservation for the same amount.

**Note 11. Defined Benefit Pension Plan**

Plan description:

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010, and who have service credits before July 1, 2010, are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010, and who have no service credits before July 1, 2010, are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 percent. The retirement multiplier for sheriffs and regional jail superintendents is 1.85 percent. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70 percent or 1.85 percent as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

## NOTES TO FINANCIAL STATEMENTS

**Note 11. Defined Benefit Pension Plan (Continued)**

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report is available at the VRS website ([www.varetire.org](http://www.varetire.org)) or may be obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

**Funding policy:**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their compensation toward their retirement. The employer has assumed 4 percent of the member contribution. In addition, the Town of Stanley, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town of Stanley's contribution rate for the fiscal year ended June 30, 2013, was 10.90 percent (excluding 5 percent member contribution) of the annual covered payroll.

**Annual pension cost:**

For 2013, the Town's annual pension cost of \$79,800 for VRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.00 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.50 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of the Plan's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, for the Unfunded Actuarial Accrued Liability (UAAL), was 20 years.

**Three-Year Trend Information for the Town of Stanley**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 70,134	100%	\$ -
6/30/12	75,213	100%	-
6/30/13	79,800	100%	-

**Funded Status and Funding Progress:**

As of June 30, 2012, the most recent actuarial valuation date, the plan was 76.0 percent funded. The actuarial accrued liability for benefits was \$1,987,485, and the actuarial value of assets was \$1,509,516, resulting in an unfunded actuarial accrued liability (UAAL) of \$477,969. The covered payroll (annual payroll of active employees covered by the plan) was \$534,597, and the ratio of the UAAL to the covered payroll was 89.4 percent.

## NOTES TO FINANCIAL STATEMENTS

**Note 11. Defined Benefit Pension Plan (Continued)**

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

**Note 12. Postemployment Benefits**

In addition to the pension benefits described in Note 11, the Town provides the Retiree Health Insurance Credit program administered by the Virginia Retirement System (VRS). The health insurance credit provides retirees a reimbursement to assist with the cost of their health insurance premiums. To be eligible for the credit, an employee must have retired with 15 or more years of creditable service. The credit is added to the monthly retirement benefit. The credit is a dollar amount set by the General Assembly for each year of service. The credit ends upon the employee's death and cannot exceed the amount of the individual health insurance premium.

**Note 13. 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. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as a common risk management and insurance program for member municipalities. The Town is not self-insured.

The Town has insurance coverage with the Virginia Municipal Group Self Insurance Association. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**Note 14. Operating Lease Commitments**

The Town leases office space for the police department on a month-to-month basis at \$375 per month. The total rent expense from this lease included in expenses of the governmental activities for the year ended June 30, 2013, was \$4,500.

The Town leases a ball field from an unrelated third party under an operating lease expiring on March 21, 2033. Rental expense for the lease included in expenses of the governmental activities for the fiscal year ended June 30, 2013 was \$1,600. The following schedule shows the future minimum lease payments required by year under the operating lease:

Years Ending June 30,	
2014	\$ 1,700
2015	1,800
2016	1,900
2017	2,000
2018	2,100
Later	<u>38,000</u>
	<u>\$ 47,500</u>

**Required Supplementary Information-  
Other than Management's Discussion and Analysis**

## TOWN OF STANLEY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
General property taxes	\$ 221,086	\$ 239,941	\$ 18,855
Other local taxes	266,710	308,901	42,191
Permits, privilege fees, and regulatory licenses	200	688	488
Fines and forfeitures	12,000	14,379	2,379
Revenue from the use of money and property	430	5,847	5,417
Charges for services	139,000	147,959	8,959
Miscellaneous	21,800	28,806	7,006
Intergovernmental revenues:			
Commonwealth	63,238	76,427	13,189
County	1,000	1,203	203
Federal	-	35,668	35,668
Total revenues	<u>\$ 725,464</u>	<u>\$ 859,819</u>	<u>\$ 134,355</u>
<b>EXPENDITURES</b>			
General government administration	\$ 367,520	\$ 351,774	\$ 15,746
Public safety	280,684	320,759	(40,075)
Public works	149,600	177,910	(28,310)
Cultural and recreation	75,161	97,699	(22,538)
Debt service	6,460	57,282	(50,822)
Total expenditures	<u>\$ 879,425</u>	<u>\$ 1,005,424</u>	<u>\$ (125,999)</u>
Deficiency of revenues over expenditures	<u>\$ (153,961)</u>	<u>\$ (145,605)</u>	<u>\$ 8,356</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Financing, loan proceeds	\$ -	\$ 66,200	\$ 66,200
Transfers in	-	158,597	158,597
Transfers out	-	(79,028)	(79,028)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 145,769</u>	<u>\$ 145,769</u>
Net change in fund balance	\$ (153,961)	\$ 164	\$ 154,125
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>194,897</u>	<u>194,897</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 40,936</u>	<u>\$ 195,061</u>	<u>\$ 154,125</u>

**TOWN OF STANLEY, VIRGINIA**  
**SCHEDULE OF FUNDING PROGRESS -**  
**DEFINED BENEFIT PLAN**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/10	\$ 1,460,452	\$ 1,884,327	\$ 423,875	77.5%	\$ 451,782	93.9%
6/30/11	1,483,236	1,995,198	511,962	74.3%	499,833	102.4%
6/30/12	1,509,516	1,987,485	477,969	76.0%	534,597	89.4%

## **Other Supplementary Information**

## TOWN OF STANLEY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF REVENUES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL PROPERTY TAXES</b>			
Real estate tax	\$ 179,000	\$ 195,830	\$ 16,830
Personal property tax	32,086	34,002	1,916
Penalties	2,500	4,550	2,050
Delinquent - real estate	4,500	2,442	(2,058)
- personal property	<u>3,000</u>	<u>3,117</u>	<u>117</u>
	<u>\$ 221,086</u>	<u>\$ 239,941</u>	<u>\$ 18,855</u>
<b>OTHER LOCAL TAXES</b>			
Sales tax	\$ 53,000	\$ 60,670	\$ 7,670
Business and professional licenses	42,000	44,205	2,205
Meals tax	39,000	46,772	7,772
Capital stock tax	35,000	42,582	7,582
Vehicle license fees	16,500	15,645	(855)
Communication and utilities taxes	29,500	28,946	(554)
Phone franchise tax	1,500	1,500	-
Franchise tax	4,710	4,710	-
Cigarette tax	43,500	63,173	19,673
Lodging tax	2,000	260	(1,740)
Mobile home tax	-	438	438
	<u>\$ 266,710</u>	<u>\$ 308,901</u>	<u>\$ 42,191</u>
<b>PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES</b>			
Zoning fees	<u>\$ 200</u>	<u>\$ 688</u>	<u>\$ 488</u>
	<u>\$ 200</u>	<u>\$ 688</u>	<u>\$ 488</u>
<b>FINES AND FORFEITURES</b>			
Court fines	<u>\$ 12,000</u>	<u>\$ 14,379</u>	<u>\$ 2,379</u>
	<u>\$ 12,000</u>	<u>\$ 14,379</u>	<u>\$ 2,379</u>
<b>REVENUE FROM THE USE OF MONEY AND PROPERTY</b>			
Sale of equipment	\$ -	\$ 4,431	\$ 4,431
Interest income	30	374	344
Ed Good shelter	400	742	342
Tower rental	-	300	300
	<u>\$ 430</u>	<u>\$ 5,847</u>	<u>\$ 5,417</u>
<b>CHARGES FOR SERVICES</b>			
Trash collection	\$ 137,000	\$ 145,369	\$ 8,369
Recreation, basketball	<u>2,000</u>	<u>2,590</u>	<u>590</u>
	<u>\$ 139,000</u>	<u>\$ 147,959</u>	<u>\$ 8,959</u>

(Continued)

## TOWN OF STANLEY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF REVENUES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>MISCELLANEOUS</b>			
Homecoming	\$ 16,000	\$ 17,578	\$ 1,578
Christmas	800	520	(280)
Donations, general	3,000	6,907	3,907
Donations, police	-	2,250	2,250
Donations, Century Station	-	141	141
Miscellaneous	<u>2,000</u>	<u>1,410</u>	<u>(590)</u>
	<u>\$ 21,800</u>	<u>\$ 28,806</u>	<u>\$ 7,006</u>
<b>INTERGOVERNMENTAL REVENUES</b>			
<b>Commonwealth</b>			
Fire program funds	\$ -	\$ 8,000	\$ 8,000
Snow removal revenue	4,000	16,890	12,890
Law enforcement grant	40,000	31,788	(8,212)
Railroad rolling stock tax	2,324	2,835	511
Personal property tax reimbursement	<u>16,914</u>	<u>16,914</u>	<u>-</u>
	<u>\$ 63,238</u>	<u>\$ 76,427</u>	<u>\$ 13,189</u>
<b>County</b>			
Litter grant	<u>\$ 1,000</u>	<u>\$ 1,203</u>	<u>\$ 203</u>
	<u>\$ 1,000</u>	<u>\$ 1,203</u>	<u>\$ 203</u>
<b>Federal</b>			
DMV Highway Safety Program grant	\$ -	\$ 4,068	\$ 4,068
United States Department of Agriculture, Rural Development grant, police equipment	-	12,000	12,000
United States Department of Agriculture, Rural Development grant, public works equipment	<u>-</u>	<u>19,600</u>	<u>19,600</u>
	<u>\$ -</u>	<u>\$ 35,668</u>	<u>\$ 35,668</u>
<b>Total revenues</b>	<u>\$ 725,464</u>	<u>\$ 859,819</u>	<u>\$ 134,355</u>

## TOWN OF STANLEY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL GOVERNMENT ADMINISTRATION</b>			
<b>General Government</b>			
Mayor's salary	\$ 1,500	\$ 1,500	\$ -
Council salaries	6,000	6,000	-
Salary - town manager	55,194	56,291	(1,097)
Employee - insurance	24,192	26,192	(2,000)
- retirement	27,953	25,683	2,270
Payroll taxes	12,989	12,539	450
General insurance	36,000	37,450	(1,450)
Vehicle expenses - town manager	1,900	1,268	632
Legal fees	6,459	2,145	4,314
Cigarette tax cost	2,500	2,311	189
Grant writing	700	613	87
Administrative expense	4,000	3,529	471
Town code updates	2,000	2,674	(674)
Website	1,200	1,155	45
Geographic information system (GIS)	5,780	-	5,780
Cell phone/pager	750	622	128
	<u>\$ 189,117</u>	<u>\$ 179,972</u>	<u>\$ 9,145</u>
<b>Financial Administration</b>			
Salaries, office assistants	\$ 114,603	\$ 117,255	\$ (2,652)
Audit fees	15,000	15,400	(400)
Credit card fees	1,100	2,013	(913)
Department of Records	4,000	2,873	1,127
Office supplies	6,000	6,831	(831)
Postage	2,500	2,167	333
Telephone	6,200	6,114	86
Utilities	8,000	8,978	(978)
Rent	500	137	363
Janitorial services	1,500	1,180	320
Miscellaneous	1,000	1,689	(689)
Office repairs and maintenance	15,800	6,990	8,810
	<u>\$ 176,203</u>	<u>\$ 171,627</u>	<u>\$ 4,576</u>
<b>Capital Outlay</b>			
Administrative	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
<b>Other</b>			
Miscellaneous donations	<u>\$ 1,200</u>	<u>\$ 175</u>	<u>\$ 1,025</u>
	<u>\$ 1,200</u>	<u>\$ 175</u>	<u>\$ 1,025</u>
<b>Total general government administration</b>	<u>\$ 367,520</u>	<u>\$ 351,774</u>	<u>\$ 15,746</u>

(Continued)

**TOWN OF STANLEY, VIRGINIA**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>PUBLIC SAFETY</b>			
<b>Police Department</b>			
Salaries	\$ 160,919	\$ 164,913	\$ (3,994)
Overtime pay	14,500	22,113	(7,613)
Employee - insurance	24,992	26,023	(1,031)
- retirement	25,503	23,473	2,030
Payroll taxes	13,420	14,011	(591)
Police car - gas and oil	9,000	11,615	(2,615)
- other expenses	2,300	8,503	(6,203)
Legal	-	1,180	(1,180)
Equipment repair	8,800	6,362	2,438
Supplies	1,750	4,262	(2,512)
Laundry	500	425	75
Uniforms	1,500	3,285	(1,785)
Rentals	4,500	4,500	-
Telephone	3,500	3,391	109
Membership dues	500	-	500
Training	3,500	3,670	(170)
Travel	-	29	(29)
Miscellaneous	500	707	(207)
	<u>\$ 275,684</u>	<u>\$ 298,462</u>	<u>\$ (22,778)</u>
<b>Other</b>			
Fire and rescue donations	\$ 5,000	\$ 5,000	\$ -
Fire funds	-	8,000	(8,000)
	<u>\$ 5,000</u>	<u>\$ 13,000</u>	<u>\$ (8,000)</u>
<b>Capital Outlay</b>			
Public safety	\$ -	\$ 9,297	\$ (9,297)
	<u>\$ -</u>	<u>\$ 9,297</u>	<u>\$ (9,297)</u>
<b>Total public safety</b>	<u>\$ 280,684</u>	<u>\$ 320,759</u>	<u>\$ (40,075)</u>
<b>PUBLIC WORKS</b>			
<b>Maintenance and Streets</b>			
Street lights	\$ 26,000	\$ 25,289	\$ 711
Supplies	1,500	2,616	(1,116)
Street and sidewalk repair	500	741	(241)
Parking lot development	1,500	2,728	(1,228)
Safety	600	3,155	(2,555)
Sweeper	500	2,016	(1,516)
Public works apartment, utilities	-	1,338	(1,338)

(Continued)

## TOWN OF STANLEY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Snow removal	\$ 1,000	\$ -	\$ 1,000
Miscellaneous	3,500	1,007	2,493
Oil/antifreeze	1,500	1,754	(254)
Repairs and maintenance - equipment	2,500	3,854	(1,354)
- vehicles	500	195	305
	<u>\$ 39,600</u>	<u>\$ 44,693</u>	<u>\$ (5,093)</u>
<b>Sanitation</b>			
Landfill fees	\$ 500	\$ 308	\$ 192
Trash service	109,000	91,498	17,502
Truck expense - trash	500	461	39
	<u>\$ 110,000</u>	<u>\$ 92,267</u>	<u>\$ 17,733</u>
<b>Capital Outlay</b>			
Public works	<u>\$ -</u>	<u>\$ 40,950</u>	<u>\$ (40,950)</u>
	<u>\$ -</u>	<u>\$ 40,950</u>	<u>\$ (40,950)</u>
<b>Total public works</b>	<u>\$ 149,600</u>	<u>\$ 177,910</u>	<u>\$ (28,310)</u>
 <b>CULTURAL AND RECREATION</b>			
<b>General</b>			
Salaries	\$ 35,106	\$ 35,672	\$ (566)
Employee - insurance	6,048	6,466	(418)
- retirement	5,821	5,357	464
Payroll taxes	2,686	2,702	(16)
Homecoming	16,000	22,169	(6,169)
Christmas	4,100	5,709	(1,609)
Town beautification	-	3,086	(3,086)
Library	-	2,855	(2,855)
Miscellaneous	600	591	9
Vehicle expense	1,300	1,946	(646)
Recreation programs - basketball	1,000	1,324	(324)
- Little League	2,000	5,020	(3,020)
Ed Good Memorial Park:			
General	500	2,764	(2,264)
Century Station	-	388	(388)
	<u>\$ 75,161</u>	<u>\$ 96,049</u>	<u>\$ (20,888)</u>
<b>Capital Outlay</b>			
Cultural and recreation	<u>\$ -</u>	<u>\$ 1,650</u>	<u>\$ (1,650)</u>
	<u>\$ -</u>	<u>\$ 1,650</u>	<u>\$ (1,650)</u>
<b>Total cultural and recreation</b>	<u>\$ 75,161</u>	<u>\$ 97,699</u>	<u>\$ (22,538)</u>

(Continued)

**TOWN OF STANLEY, VIRGINIA**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>DEBT SERVICE</b>			
Principal on loans	\$ 6,366	\$ 56,822	\$ (50,456)
Interest on loans	<u>94</u>	<u>460</u>	<u>(366)</u>
<b>Total debt service</b>	<u>\$ 6,460</u>	<u>\$ 57,282</u>	<u>\$ (50,822)</u>
<b>Total expenditures</b>	<u>\$ 879,425</u>	<u>\$ 1,005,424</u>	<u>\$ (125,999)</u>

## TOWN OF STANLEY, VIRGINIA

**WATER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION- BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Water fees	\$ 384,143	\$ 375,539	\$ (8,604)
Connection fees	8,500	725	(7,775)
Facility fees	4,250	2,781	(1,469)
Penalties	22,000	24,767	2,767
Other	<u>3,200</u>	<u>4,492</u>	<u>1,292</u>
Total operating revenues	<u>\$ 422,093</u>	<u>\$ 408,304</u>	<u>\$ (13,789)</u>
<b>OPERATING EXPENSES</b>			
General expenses	\$ 346,168	\$ 365,048	\$ (18,880)
Depreciation	<u>-</u>	<u>28,732</u>	<u>(28,732)</u>
Total operating expenses	<u>\$ 346,168</u>	<u>\$ 393,780</u>	<u>\$ (47,612)</u>
Operating income	<u>\$ 75,925</u>	<u>\$ 14,524</u>	<u>\$ (61,401)</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>			
Department of Environmental Quality, wellhead protection grant	\$ -	\$ 6,712	\$ 6,712
Interest income	10	136	126
Interest expense	-	(525)	(525)
(Loss) on sale of equipment	<u>-</u>	<u>(6,596)</u>	<u>(6,596)</u>
Total nonoperating revenues (expense)	<u>\$ 10</u>	<u>\$ (273)</u>	<u>\$ (283)</u>
Income before contributions and transfers	<u>\$ 75,935</u>	<u>\$ 14,251</u>	<u>\$ (61,684)</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions:			
Southeast Rural Community Assistance Project, Inc., grant	\$ -	\$ 1,875	\$ 1,875
United States Department of Agriculture, Rural Development grant	-	5,400	5,400
Transfers in	-	77,632	77,632
Transfers out	<u>-</u>	<u>(119,494)</u>	<u>(119,494)</u>
Total contributions and transfers	<u>\$ -</u>	<u>\$ (34,587)</u>	<u>\$ (34,587)</u>
Change in net position	\$ 75,935	\$ (20,336)	\$ (96,271)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>519,742</u>	<u>519,742</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 595,677</u>	<u>\$ 499,406</u>	<u>\$ (96,271)</u>

## TOWN OF STANLEY, VIRGINIA

**WATER FUND**  
**STATEMENT OF OPERATING EXPENSES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL EXPENSES</b>			
Salaries	\$ 124,022	\$ 119,300	\$ 4,722
Employee - insurance	30,240	26,875	3,365
- retirement	19,568	15,033	4,535
Payroll taxes	9,488	8,869	619
Utilities	56,100	65,109	(9,009)
Telephone	1,200	928	272
Supplies	21,000	42,605	(21,605)
Uniforms	4,500	2,035	2,465
Repairs and maintenance	28,600	25,774	2,826
Office expense	3,600	3,879	(279)
Vehicle expense	23,750	19,875	3,875
Memberships and training	1,500	350	1,150
Miscellaneous	500	3,294	(2,794)
Testing	3,000	1,988	1,012
Water operations fee	4,100	4,996	(896)
Reimbursable expenses:			
Wellhead protection costs	-	6,712	(6,712)
Tank repairs	15,000	17,426	(2,426)
	<u>\$ 346,168</u>	<u>\$ 365,048</u>	<u>\$ (18,880)</u>
<b>DEPRECIATION</b>	<u>\$ -</u>	<u>\$ 28,732</u>	<u>\$ (28,732)</u>
<b>Total operating expenses</b>	<u>\$ 346,168</u>	<u>\$ 393,780</u>	<u>\$ (47,612)</u>

## TOWN OF STANLEY, VIRGINIA

**SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Sewer fees	\$ 330,303	\$ 330,487	\$ 184
Connection fees	10,500	750	(9,750)
Facility fees	5,750	406	(5,344)
Landfill run-off treatment	70,000	68,363	(1,637)
Total operating revenues	<u>\$ 416,553</u>	<u>\$ 400,006</u>	<u>\$ (16,547)</u>
<b>OPERATING EXPENSES</b>			
General expenses	\$ 230,696	\$ 241,865	\$ (11,169)
Depreciation	-	160,918	(160,918)
Total operating expenses	<u>\$ 230,696</u>	<u>\$ 402,783</u>	<u>\$ (172,087)</u>
Operating income (loss)	<u>\$ 185,857</u>	<u>\$ (2,777)</u>	<u>\$ (188,634)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest income	\$ -	\$ 129	\$ 129
Interest expense	-	(7,577)	(7,577)
(Loss) on sale of equipment	-	(4,700)	(4,700)
Total nonoperating revenue (expense)	<u>\$ -</u>	<u>\$ (12,148)</u>	<u>\$ (12,148)</u>
Income (loss) before transfers	<u>\$ 185,857</u>	<u>\$ (14,925)</u>	<u>\$ (200,782)</u>
<b>TRANSFERS</b>			
Transfers out	\$ -	\$ (46,464)	\$ (46,464)
Total transfers	<u>\$ -</u>	<u>\$ (46,464)</u>	<u>\$ (46,464)</u>
Change in net position	\$ 185,857	\$ (61,389)	\$ (247,246)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,750,033</u>	<u>1,750,033</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,935,890</u>	<u>\$ 1,688,644</u>	<u>\$ (247,246)</u>

## TOWN OF STANLEY, VIRGINIA

**SEWER FUND**  
**STATEMENT OF OPERATING EXPENSES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL EXPENSES</b>			
Salaries	\$ 85,727	\$ 89,329	\$ (3,602)
Employee - insurance	12,096	13,045	(949)
- retirement	13,219	12,182	1,037
Payroll taxes	6,558	6,205	353
Utilities	31,000	31,151	(151)
Telephone	3,500	3,741	(241)
Supplies	17,000	21,874	(4,874)
Uniforms	3,000	999	2,001
Repairs and maintenance	15,771	14,364	1,407
Vehicle expense	2,500	9,670	(7,170)
Miscellaneous	500	169	331
Testing	10,000	11,775	(1,775)
Sludge fees	8,000	4,530	3,470
Professional and engineering fees	18,125	19,383	(1,258)
Sewer operations fee	3,000	2,992	8
Office expense	700	456	244
	<u>\$ 230,696</u>	<u>\$ 241,865</u>	<u>\$ (11,169)</u>
<b>DEPRECIATION</b>	<u>\$ -</u>	<u>\$ 160,918</u>	<u>\$ (160,918)</u>
<b>Total operating expenses</b>	<u>\$ 230,696</u>	<u>\$ 402,783</u>	<u>\$ (172,087)</u>

## TOWN OF STANLEY, VIRGINIA

**PARK FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Pool	\$ 24,500	\$ 20,625	\$ (3,875)
Rentals	15,200	13,520	(1,680)
Activities	<u>3,300</u>	<u>2,028</u>	<u>(1,272)</u>
Total operating revenues	<u>\$ 43,000</u>	<u>\$ 36,173</u>	<u>\$ (6,827)</u>
<b>OPERATING EXPENSES</b>			
General expenses	\$ 35,066	\$ 35,556	\$ (490)
Depreciation	<u>-</u>	<u>14,243</u>	<u>(14,243)</u>
Total operating expenses	<u>\$ 35,066</u>	<u>\$ 49,799</u>	<u>\$ (14,733)</u>
Operating income (loss)	<u>\$ 7,934</u>	<u>\$ (13,626)</u>	<u>\$ (21,560)</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>			
Interest expense	<u>\$ (1,791)</u>	<u>\$ (1,987)</u>	<u>\$ (196)</u>
Total nonoperating revenues (expense)	<u>\$ (1,791)</u>	<u>\$ (1,987)</u>	<u>\$ (196)</u>
Income (loss) before transfers	<u>\$ 6,143</u>	<u>\$ (15,613)</u>	<u>\$ (21,756)</u>
<b>TRANSFERS</b>			
Transfers in	<u>\$ -</u>	<u>\$ 8,757</u>	<u>\$ 8,757</u>
Total transfers	<u>\$ -</u>	<u>\$ 8,757</u>	<u>\$ 8,757</u>
Change in net position	\$ 6,143	\$ (6,856)	\$ (12,999)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>324,852</u>	<u>324,852</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 330,995</u>	<u>\$ 317,996</u>	<u>\$ (12,999)</u>

## TOWN OF STANLEY, VIRGINIA

**PARK FUND**  
**STATEMENT OF OPERATING EXPENSES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Budget- Original &amp; Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL EXPENSES</b>			
Salaries	\$ 14,000	\$ 12,052	\$ 1,948
Payroll taxes	1,153	837	316
Supplies	2,400	23	2,377
Utilities	6,450	6,461	(11)
Pool operating	5,000	5,917	(917)
Fund raising	-	790	(790)
Repairs and maintenance:			
Pool	100	3,635	(3,535)
Cottage	1,000	726	274
Telephone	500	559	(59)
Licensing fee	3,363	3,419	(56)
Cottage sales and use tax	100	10	90
Miscellaneous	1,000	1,127	(127)
	<u>\$ 35,066</u>	<u>\$ 35,556</u>	<u>\$ (490)</u>
<b>DEPRECIATION</b>	<u>\$ -</u>	<u>\$ 14,243</u>	<u>\$ (14,243)</u>
<b>Total operating expenses</b>	<u>\$ 35,066</u>	<u>\$ 49,799</u>	<u>\$ (14,733)</u>

**TOWN OF STANLEY, VIRGINIA**  
**SCHEDULE OF CAPITAL ADDITIONS**  
**Year Ended June 30, 2013**

**GENERAL FUND**

Sweeper	\$ 40,950
Copiers (2), donated	3,000
Server	3,562
TV/projector	1,800
2012 Dodge Charger, donated	36,100
2012 Dodge Charger, additions	3,935
Walking trail project, engineering fees	<u>1,650</u>

**Total general fund** \$ 90,997

**WATER FUND**

Roof repair, public works building	\$ 23,000
Well #6, 50 hp motor	17,024
Well #6, 30 hp motor	1,972
Dump truck additions	2,298
Water tank #3, engineering fees	<u>1,875</u>

**Total water fund** \$ 46,169

**SEWER FUND**

Sewer pump station, refurbishment	\$ 23,255
Sludge platform	3,538
Sewer plant motor	2,875
Sewage pump	2,946
Fifteen hp AC drive (paddle motor)	4,000
Pump and motor rebuild	2,865
Air conditioner unit	<u>1,133</u>

**Total sewer fund** \$ 40,612

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

To the Honorable Town Council  
Town of Stanley  
Stanley, VA 22851

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stanley, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Stanley's basic financial statements, and have issued our report thereon dated November 22, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control over financial reporting to be material weaknesses.

1. Proper internal control is not always possible due to the relatively small number of persons involved in processing transactions. We recognize that because of the small size of the Town, it may not be economically feasible to have adequate segregation of duties but we are required to report this condition under our professional responsibilities.

The Town has segregated certain duties of its employees to help prevent or promptly detect errors in financial reporting. The employees appear to perform their duties in a structured and conscientious manner. The problem is that with a small staff, it is hard to totally divide the functions of executing a transaction, recording the transaction, and keeping custody of the assets.

In the future, the Town plans to continue to segregate employee duties as much as possible. The Town Council and Officials also plan to continue to be actively involved in overseeing the Town's financial operations.

2. The management and staff of the Town lack the expertise to reconcile certain accounts, maintain depreciation schedules, and make all adjusting entries necessary to prepare financial statements in accordance with generally accepted accounting standards. As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

The management of the Town has enlisted our firm to provide basic accounting assistance such as reconciling certain accounts, maintaining depreciation schedules, and proposing journal entries. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit services providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Management believes this practice to be acceptable and cost beneficial to the Town.

3. The management and staff of the Town lack the expertise to prepare financial statements in accordance with generally accepted accounting standards. As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

The management of the Town has enlisted our firm to provide assistance in drafting the Town's financial statements. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit service providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Management believes this practice to be acceptable and cost beneficial to the Town.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Stanley's financial statements are free of 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*.

### **Response to Findings**

The Town of Stanley's response to the findings identified in our audit is described under the material weaknesses reported above. The Town of Stanley's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Young, Nicholas, Branner & Phillips, LLP*

Harrisonburg, VA  
November 22, 2013