

TOWN OF SHENANDOAH, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

TO THE TOWN COUNCIL
TOWN OF SHENANDOAH, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respect, the respective financial position of the governmental activity, the business-type activities, and each major fund of the Town of Shenandoah, Virginia as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison schedule on page 27 and the schedule of funding progress for defined benefit pension plan on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information listed as Other Supplementary Information in the Table of Contents is presented for purposes of additional analysis is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary 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 February 9, 2015, on our consideration of the Town'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's internal control over financial reporting and compliance.

Anderson, White & Company, P.C.

Staunton, Virginia
February 9, 2015

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

TO THE TOWN COUNCIL
TOWN OF SHENANDOAH, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Shenandoah, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies. The Town is a small municipality with a limited number of staff and therefore, as with many small Town's, has inadequate internal control over the preparation of the annual financial report with full note disclosures required to be in conformity with the U.S. Generally Accepted Accounting Principles. The Town has determined the costs to eliminate this deficiency exceed the benefits, and thus have engaged the auditing firm to assist in this process.

Compliance and Other Matters

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

Town's Response to Findings

The Town's response to the findings identified in our audit is described previously. The Town'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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, White & Company, P.C.

Staunton, Virginia
February 9, 2015

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
As of June 30, 2014

	Governmental Activities	Business- Type Activities	Total Primary Government
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 411 494	\$ 888 643	\$ 1 300 137
Restricted cash and cash equivalents	24 810	-	24 810
Receivables (Net of allowances for uncollectibles of \$72,033)			
Real estate and personal property taxes	71 817	-	71 817
Other local revenues	36 249	-	36 249
Accounts, billed	-	24 429	24 429
Accounts, unbilled	-	49 381	49 381
Other	-	2 721	2 721
Due from other governments	11 429	-	11 429
Total Current Assets	\$ 555 799	\$ 965 174	\$ 1 520 973
Noncurrent Assets:			
Capital assets, net	\$ 877 818	\$ 3 789 515	\$ 4 667 333
Total Noncurrent Assets	\$ 877 818	\$ 3 789 515	\$ 4 667 333
Total Assets	\$ 1 433 617	\$ 4 754 689	\$ 6 188 306
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 12 325	\$ 10 315	\$ 22 640
Accrued payroll and payroll liabilities	13 978	5 179	19 157
Accrued interest payable	228	5 175	5 403
Notes and bonds payable, current portion	54 057	149 435	203 492
Customer deposits	-	17 601	17 601
Total Current Liabilities	\$ 80 588	\$ 187 705	\$ 268 293
Noncurrent Liabilities:			
Notes and bonds payable	\$ 186 547	\$ 1 772 121	\$ 1 958 668
Compensated absences	27 200	45 457	72 657
Total Noncurrent Liabilities	\$ 213 747	\$ 1 817 578	\$ 2 031 325
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	\$ 8 988	\$ -	\$ 8 988
Total Liabilities and Deferred Inflows of Resources	\$ 303 323	\$ 2 005 283	\$ 2 308 606
NET POSITION			
Net investment in capital assets	\$ 637 214	\$ 1 867 959	\$ 2 505 173
Restricted:			
Revolving loan fund	10 740	-	10 740
Various unspent restricted donations	14 070	-	14 070
Unrestricted	468 270	881 447	1 349 717
Total Net Position	\$ 1 130 294	\$ 2 749 406	\$ 3 879 700

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

TOWN OF SHENANDOAH, VIRGINIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government administration	\$ 408 927	\$ 99 473	\$ -	\$ -
Public safety	353 708	8 865	62 924	-
Public works	344 306	153 682	1 114	-
Economic development	42 266	14 793	-	21 970
Interest on long-term debt	7 286	-	-	-
Total Governmental Activities	\$ 1 156 493	\$ 276 813	\$ 64 038	\$ 21 970
Business-type Activities:				
Utility Fund	\$ 676 216	\$ 564 029	\$ -	\$ -
Total Business-Type Activities	\$ 676 216	\$ 564 029	\$ -	\$ -
Total Primary Government	\$ 1 832 709	\$ 840 842	\$ 64 038	\$ 21 970

General Revenues:

General property taxes
 Local sales and use taxes
 Restaurant food taxes
 Utility taxes
 Electric surtax
 Communications tax
 Cigarette tax
 Electric franchise
 Bank stock taxes
 Transient occupancy tax
 Railroad rolling stock taxes
 Interest income
 Miscellaneous

Total General Revenues

Gain (Loss) on Disposal of Assets

Transfers

Change in Net Position

Net Position at Beginning of Year

Restatement adjustment

Net Position at End of Year

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total Primary Government
\$ (309 454)	\$ -	\$ (309 454)
(281 919)	-	(281 919)
(189 510)	-	(189 510)
(5 503)	-	(5 503)
(7 286)	-	(7 286)
<u>\$ (793 672)</u>	<u>\$ -</u>	<u>\$ (793 672)</u>
<u>\$ -</u>	<u>\$ (112 187)</u>	<u>\$ (112 187)</u>
<u>\$ -</u>	<u>\$ (112 187)</u>	<u>\$ (112 187)</u>
<u>\$ (793 672)</u>	<u>\$ (112 187)</u>	<u>\$ (905 859)</u>
\$ 533 489	\$ -	\$ 533 489
93 272	-	93 272
163 466	-	163 466
25 113	-	25 113
33 954	-	33 954
27 970	-	27 970
33 000	-	33 000
9 465	-	9 465
26 292	-	26 292
4 622	-	4 622
14 075	-	14 075
681	11 898	12 579
2 264	1 576	3 840
<u>\$ 967 663</u>	<u>\$ 13 474</u>	<u>\$ 981 137</u>
<u>\$ 100</u>	<u>\$ (7 647)</u>	<u>\$ (7 547)</u>
<u>\$ (151 272)</u>	<u>\$ 151 272</u>	<u>\$ -</u>
\$ 22 819	\$ 44 912	\$ 67 731
1 110 235	2 708 126	3 818 361
(2 760)	(3 632)	(6 392)
<u>\$ 1 130 294</u>	<u>\$ 2 749 406</u>	<u>\$ 3 879 700</u>

BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2014

	General Fund
ASSETS	
Cash and cash equivalents	\$ 411 494
Receivables (Net of allowances for uncollectibles of \$72,033):	
Real estate and personal property taxes	71 817
Other local revenues	36 249
Due from other governments	11 429
Restricted cash and cash equivalents	24 810
Total Assets	\$ 555 799
LIABILITIES	
Accounts payable	\$ 12 325
Accrued payroll and payroll liabilities	13 978
Total Liabilities	\$ 26 303
DEFERRED INFLOWS OF RESOURCES	
Prepaid property taxes	\$ 8 988
Unavailable revenue-property taxes	46 576
Total Deferred Inflows of Resources	\$ 55 564
FUND BALANCES	
Restricted:	
Revolving loan fund	\$ 10 740
Various unspent restricted donations	14 070
Assigned to capital improvements	62 659
Unassigned	386 463
Total Fund Balances	\$ 473 932
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 555 799

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2014

**Amounts reported for governmental activities in the Statement of
Net Position are different because of the following:**

Fund balances of governmental funds	\$ 473 932
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	877 818
Long-term liabilities, including notes and bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(267 804)
Property taxes receivable not received within forty-five days after year end are not available to fund current-period expenditures and, therefore, are deferred in the funds.	46 576
Interest payable on long-term debt does not require current financial resources, and therefore, is not reported as a liability in the funds.	<u>(228)</u>
Net position of governmental activities	<u>\$ 1 130 294</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund
Revenues:	
General property taxes	\$ 534 525
Other local taxes	516 627
Fines and forfeitures	8 865
Revenues from use of money and property	1 056
Charges for services	168 100
Miscellaneous	24 234
Intergovernmental:	
Revenue from the Commonwealth	75 437
Revenue from the Federal Government	2 676
Total Revenues	\$ 1 331 520
Expenditures:	
Current:	
General government administration	\$ 405 454
Public safety	338 051
Public works	351 657
Economic development	34 358
Capital expenditures	30 032
Debt Service:	
Debt service payments	69 301
Total Expenditures	\$ 1 228 853
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 102 667
Other Financing Sources (Uses):	
Proceeds from leases and loans	\$ 26 467
Proceeds from disposal of assets	100
Net operating transfers	(151 272)
Total Other Financing Sources (Uses)	\$ (124 705)
Net Change in Fund Balances	\$ (22 038)
Fund Balance at Beginning of Year	495 970
Fund Balance at End of Year	\$ 473 932

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

(Continued)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Net change in fund balance - total governmental funds	\$ (22 038)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$65,080) exceeded depreciation (\$56,051) in the current period.	9 029
Issuance of long-term debt is an other financing source in the governmental funds and thus, increases fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(26 467)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the Statement of Activities.	61 984
The change in compensated absences liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	1 316
General property tax revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.	(1 036)
In the governmental funds, interest on long-term debt is reported as interest expense when due, whereas in the Statement of Activities it is accrued.	<u>31</u>
Change in net position of governmental funds	\$ <u><u>22 819</u></u>

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of June 30, 2014

ASSETS	Utility Fund
Current Assets:	
Cash and cash equivalents	\$ 888 643
Receivables:	
Accounts, billed	24 429
Accounts, unbilled	49 381
Other	<u>2 721</u>
Total Current Assets	\$ <u>965 174</u>
Noncurrent Assets:	
Capital assets, net	\$ <u>3 789 515</u>
Total Noncurrent Assets	\$ <u>3 789 515</u>
Total Assets	\$ <u>4 754 689</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 10 315
Accrued payroll and payroll liabilities	5 179
Accrued interest payable	5 175
Notes and bonds payable, current portion	149 435
Customer deposits	<u>17 601</u>
Total Current Liabilities	\$ <u>187 705</u>
Noncurrent Liabilities:	
Notes and bonds payable	\$ 1 772 121
Compensated absences	<u>45 457</u>
Total Noncurrent Liabilities	\$ <u>1 817 578</u>
Total Liabilities	\$ <u>2 005 283</u>
NET POSITION	
Net investment in capital assets	\$ 1 867 959
Unrestricted:	
Undesignated	16 820
Designated for capital improvements	<u>864 627</u>
Total Net Position	\$ <u><u>2 749 406</u></u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	<u>Utility Fund</u>
Operating Revenues:	
Charges for services	\$ 548 112
Total Operating Revenues	<u>\$ 548 112</u>
Operating Expenses:	
Personal services	\$ 204 341
Fringe benefits	71 555
Supplies, materials, and maintenance	74 877
Power and fuel	53 917
Depreciation and amortization	154 775
Other	37 316
Total Operating Expenses	<u>\$ 596 781</u>
Operating Income (Loss)	<u>\$ (48 669)</u>
Nonoperating Revenues (Expenses):	
Interest	\$ 11 898
Penalties	12 242
Cut-on fees	3 675
Miscellaneous income	1 576
Gain (loss) on disposal of assets	(7 647)
Interest and fiscal charges	(79 435)
Total Nonoperating Revenues (Expenses)	<u>\$ (57 691)</u>
Net Income (Loss) Before Contributions and Transfers	<u>\$ (106 360)</u>
Contributions - connection fees	\$ -
Operating transfers in / (out)	151 272
Total Contributions and Transfers	<u>\$ 151 272</u>
Change in Net Position	<u>\$ 44 912</u>
Net Position at Beginning of Year	2 708 126
Restatement adjustment	(3 632)
Net Position at End of Year	<u><u>\$ 2 749 406</u></u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Utility Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 556 210
Cash payments to suppliers	(162 682)
Cash payments to employees	<u>(278 051)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>115 477</u>
Cash Flows from Noncapital Financing Activities:	
Net transfers	\$ 151 272
Other noncapital financing received	<u>17 493</u>
Net Cash Provided (Used) by Noncapital Financing Activities	\$ <u>168 765</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	\$ (90 307)
Proceeds from connection fees and capital grants	-
Proceeds from notes and bonds payable	40 511
Repayment of long-term debt	(141 719)
Interest paid on long-term debt	<u>(79 574)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(271 089)</u>
Cash Flows from Investing Activities:	
Interest earned	\$ <u>11 898</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 25 051
Cash and Cash Equivalents at Beginning of Year	<u>863 592</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>888 643</u></u>

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

STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
For the Year Ended June 30, 2014**Reconciliation of Operating Income to Net Cash
Provided (Used) by Operating Activities:**

	Utility Fund
Operating income (loss)	\$ (48 669)
Adjustment to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	154 775
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	6 786
Increase (decrease) in:	
Accounts payable	3 428
Accrued payroll	(1 822)
Customer deposits	1 312
Compensated absences	(333)
Net Cash Provided (Used) by Operating Activities	\$ <u>115 477</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town of Shenandoah, Virginia (the "Town") have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. Reporting Entity

The Town is a municipal government that is governed by an elected seven-member council, including a mayor. Generally accepted accounting principles requires these financial statements to present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable. Currently there are no component units that meet the criteria to be included in this report.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 to a significant extent rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

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

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 45 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the Town's enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The following funds are used by the Town:

1. Governmental Funds:

The following is a description of the Governmental Funds of the Town:

The General Fund accounts for the Town's primary services (General Government Administration, Public Safety, Public Works, Economic Development, etc.) and is the primary operating unit of the Town.

2. Proprietary Funds:

The following is a description of the Proprietary Funds of the Town:

The Utility Fund accounts for the operation of the Town's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

3. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Cash, Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, cash and cash equivalents include business interest checking and savings accounts, certificates of deposit, and money market accounts maintained during the year.

E. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems will be recorded at historical cost on a prospective basis as the Town has elected out of recording such assets retrospectively as allowed for Phase 3 Governments.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**E. Capital Assets (Continued)**

Property, plant, and equipment of the Town is depreciated using the straight line method over estimated useful lives ranging from three to fifty years.

F. Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Town through approval of resolutions. Assigned fund balances is a limitation imposed by the Town Council or a designee of the Town. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

G. Property Taxes

Property taxes attached as an enforceable lien on property as of January 1 of each year. Taxes are payable in June and December. The Town bills and collects its own property taxes based on assessment values obtained from the Page County, Virginia, Commissioner of Revenue.

NOTE 2—CASH DEPOSITS:

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

Restricted cash consists of the following:

\$ 10 740	Revolving loan fund
<u>14 070</u>	Various unspent restricted donations
\$ <u>24 810</u>	Total restricted cash

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Governmental Activities:

Page County:

Local sales tax	\$ 8 618
Various federal and state grants	<u>2 811</u>

Total – Governmental Activities	<u>\$ 11 429</u>
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NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 271 490	\$ -	\$ -	\$ -	\$ 271 490
Construction in progress	<u>-</u>	<u>4 000</u>	<u>-</u>	<u>-</u>	<u>4 000</u>
Subtotal	<u>\$ 271 490</u>	<u>\$ 4 000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275 490</u>
Capital assets being depreciated:					
Buildings	\$ 218 067	\$ -	\$ -	\$ -	\$ 218 067
Other improvements	259 242	29 049	-	-	288 291
Police department	347 000	27 467	-	-	374 467
Street department	298 700	999	-	-	299 699
Office furniture and equipment	58 180	529	-	-	58 709
Computer center assets	<u>553 642</u>	<u>3 036</u>	<u>(27 238)</u>	<u>-</u>	<u>529 440</u>
Subtotal	<u>\$ 1 734 831</u>	<u>\$ 61 080</u>	<u>\$ (27 238)</u>	<u>\$ -</u>	<u>\$ 1 768 673</u>
Less accumulated depreciation:					
Buildings	\$ (138 102)	\$ (3 601)	\$ -	\$ -	\$ (141 703)
Other improvements	(79 506)	(12 123)	-	-	(91 629)
Police department	(230 071)	(22 824)	-	-	(252 895)
Street department	(216 323)	(7 666)	-	-	(223 989)
Office furniture and equipment	(51 000)	(1 929)	-	-	(52 929)
Computer center assets	<u>(422 530)</u>	<u>(7 908)</u>	<u>27 238</u>	<u>-</u>	<u>(403 200)</u>
Subtotal	<u>\$ (1 137 532)</u>	<u>\$ (56 051)</u>	<u>\$ 27 238</u>	<u>\$ -</u>	<u>\$ (1 166 345)</u>
Total capital assets being depreciated, net	<u>\$ 597 299</u>	<u>\$ 5 029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602 328</u>
Governmental Activities capital assets, net	<u>\$ 868 789</u>	<u>\$ 9 029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877 818</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 4—CAPITAL ASSETS: (Continued)

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Business-type Activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Subtotal	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Capital assets being depreciated:					
Structures and improvements:					
Source of supply	\$ 1 185 759	\$ -	\$ -	\$ -	\$ 1 185 759
Pumping plant	1 358	-	-	-	1 358
Water treatment plant	152 127	-	-	-	152 127
Sewage treatment plant	2 557 458	12 817	-	-	2 570 275
Transmission and distribution	3 009 256	-	-	-	3 009 256
Water treatment plant equipment	264 929	36 979	(10 673)	-	291 235
Vehicles	80 314	-	-	-	80 314
Office furniture and equipment	31 370	-	-	-	31 370
Shop equipment	36 852	40 511	(2 169)	-	75 194
Subtotal	\$ 7 319 423	\$ 90 307	\$ (12 842)	\$ -	\$ 7 396 888
Less accumulated depreciation:					
Structures and improvements:					
Source of supply	\$ (814 759)	\$ (23 715)	\$ -	\$ -	\$ (838 474)
Pumping plant	(931)	(27)	-	-	(958)
Water treatment plant	(92 886)	(3 042)	-	-	(95 928)
Sewage treatment plant	(982 958)	(51 806)	-	-	(1 034 764)
Transmission and distribution	(1 381 351)	(60 255)	-	-	(1 441 606)
Water treatment plant equipment	(75 809)	(13 582)	3 026	-	(86 365)
Vehicles	(78 588)	(269)	-	-	(78 857)
Office furniture and equipment	(30 605)	(279)	-	-	(30 884)
Shop equipment	(36 852)	(1 800)	2 169	-	(36 483)
Subtotal	\$ (3 494 739)	\$ (154 775)	\$ 5 195	\$ -	\$ (3 644 319)
Total capital assets being depreciated, net	\$ 3 824 684	\$ (64 468)	\$ (7 647)	\$ -	\$ 3 752 569
Business-type Activities capital assets, net	\$ 3 861 630	\$ (64 468)	\$ (7 647)	\$ -	\$ 3 789 515

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 4—CAPITAL ASSETS: (Continued)

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

Governmental Activities:	
General government administration	\$ 5 530
Public safety	22 824
Public works	19 789
Economic development	<u>7 908</u>
Total depreciation expense – governmental activities	\$ <u>56 051</u>
Business-type Activities:	
Utility Fund	\$ <u>154 775</u>
Total depreciation expense – business-type activities	\$ <u>154 775</u>

NOTE 5—DEFINED BENEFIT PENSION PLAN:**A. Plan Description**

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

VRS – PLAN 1

- Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1 (Continued)**

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

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

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

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

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1 (Continued)**

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

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

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1 (Continued)**

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

VRS - PLAN 2

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

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

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

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

4. **Retirement Contributions** - Same as VRS Plan 1-Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1- Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1-Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1-Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS - PLAN 2 (Continued)**

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

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

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

- 14. Eligibility** - Same as VRS Plan 1-Refer to Section 14.

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

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

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

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

- 17. Purchase of Prior Service** - Same as VRS Plan 1-Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN (Continued)**

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

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

5. **Creditable Service**

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)

HYBRID RETIREMENT PLAN (Continued)

6. Vesting

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

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

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

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

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

Distribution is not required by law until age 70 1/2.

7. Calculating the Benefit

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

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

- 8. Average Final Compensation** - Same as VRS Plan 2-Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.
- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)

HYBRID RETIREMENT PLAN (Continued)

10. Normal Retirement Age

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

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

11. Earliest Unreduced Retirement Eligibility

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

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

12. Earliest Reduced Retirement Eligibility

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

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

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

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

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 14.

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

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN (Continued)****17. Purchase of Prior Service**

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

Defined Contribution Component- Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 12.65% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$76,857 was equal to the Town's required and actual contributions.

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 85 576	100%	\$ -
June 30, 2013	74 168	100%	-
June 30, 2014	76 857	100%	-

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)**C. Annual Pension Cost (Continued)**

The FY 2014 required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011, included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011, for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 67.32% funded. The actuarial accrued liability for benefits was \$2,315,938, and the actuarial value of assets was \$1,559,014, resulting in an unfunded actuarial accrued liability (UAAL) of \$756,924. The covered payroll (annual payroll of active employees covered by the plan) was \$590,244 and ratio of the UAAL to the covered payroll was 128.24%.

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

NOTE 6—LONG-TERM DEBT:

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

Governmental Activities

Year Ending June 30	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 47 520	\$ 5 444	\$ 6 537	\$ 380	\$ 54 057	\$ 5 824
2016	48 834	4 130	6 679	238	55 513	4 368
2017	50 184	2 780	6 825	92	57 009	2 872
2018	51 597	1 392	557	1	52 154	1 393
2019	18 840	380	-	-	18 840	380
2020-2024	3 031	12	-	-	3 031	12
Total	\$ 220 006	\$ 14 138	\$ 20 598	\$ 711	\$ 240 604	\$ 14 849

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 6—LONG-TERM DEBT: (Continued)Business-type Activities

Year Ending June 30	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 139 512	\$ 74 674	\$ 9 923	\$ 738	\$ 149 435	\$ 75 412
2016	143 911	70 274	10 174	487	154 085	70 761
2017	148 458	65 727	10 431	229	158 889	65 956
2018	152 528	61 028	3 511	18	156 039	61 046
2019	49 828	57 499	-	-	49 828	57 499
2020-2024	226 500	257 699	-	-	226 500	257 699
2025-2029	281 513	201 067	-	-	281 513	201 067
2030-2034	352 396	130 184	-	-	352 396	130 184
2035-2039	392 871	41 896	-	-	392 871	41 896
Total	\$ <u>1 887 517</u>	\$ <u>960 048</u>	\$ <u>34 039</u>	\$ <u>1 472</u>	\$ <u>1 921 556</u>	\$ <u>961 520</u>

Changes In Long-Term Debt and Compensated Absences

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2014.

	Amounts payable at July 1, 2013	Increases	Decreases	Amounts payable at June 30, 2014
Governmental Activities:				
Compensated absences	\$ 28 516	\$ -	\$ (1 316)	\$ 27 200
General Obligation Bonds	266 253	-	(46 247)	220 006
Notes payable	9 868	26 467	(15 737)	20 598
Total	\$ <u>304 637</u>	\$ <u>26 467</u>	\$ <u>(63 300)</u>	\$ <u>267 804</u>
Business-type Activities:				
Compensated absences	\$ 45 790	\$ -	\$ (333)	\$ 45 457
General Obligation Bonds	2 022 764	-	(135 247)	1 887 517
Notes Payable	-	40 511	(6 472)	34 039
Total	\$ <u>2 068 554</u>	\$ <u>40 511</u>	\$ <u>(142 052)</u>	\$ <u>1 967 013</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 6—LONG-TERM DEBT: (Continued)Details of Long-Term IndebtednessGovernmental Activities:

General Obligations Bonds:

SunTrust General Obligation Bond (Capital Improvements Project) Series 2004 – payable monthly in the amount of \$1,602 commencing September 2004 for a term of 15 years, including interest at 2.86%. This bond has been allocated between the Governmental Activities (64%) and the Business-type Activities (36%). \$ 92 072

SunTrust General Obligation Revenue Bonds and Refunding Bonds Series 2003 – payable monthly in the amount of \$2,812 commencing July 2003 for a term of 15 years, including interest at 2.66%. This bond has been allocated between the Governmental Activities (24%) and the Business-Type Activities (76%). 127 934

Total General Obligation Bonds \$ 220 006

Notes Payable:

Pioneer Bank – payable monthly in the amount of \$576 commencing August 2013 for a term of 4 years, including interest at 2.16%, secured by vehicle purchased. \$ 20 598

Total Notes Payable \$ 20 598

Total Governmental Activities \$ 240 604

Business-type Activities:

General Obligations Bonds:

SunTrust General Obligation Bond (Capital Improvements Project) Series 2004 - payable monthly in the amount of \$901 commencing September 2004 for a term of 15 years, including interest at 2.86%. This bond has been allocated between the Governmental Activities (64%) and the Business-type Activities (36%). \$ 51 711

SunTrust General Obligation Revenue Bonds and Refunding Bonds Series 2003 – payable monthly in the amount of \$8,905 commencing July 2003 for a term of 15 years, including interest at 2.66%. This bond has been allocated between the Governmental Activities (24%) and the Business-Type Activities (76%). 404 487

USDA/Rural Development General Obligation Refunding Bonds Series of 1999 – payable monthly in the amount of \$8,043 commencing March 3, 2001 for a term of 38 years, including interest at 4.5%. 1 431 319

Total General Obligation Bonds \$ 1 887 517

Notes Payable:

Blue Ridge Bank – payable monthly in the amount of \$888 commencing November 2013 for a term of 4 years, including interest at 2.5%, secured by equipment purchased. \$ 34 039

Total Notes Payable \$ 34 039

Total Business-type Activities \$ 1 921 556

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 7—DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources in the fund statements represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Deferred inflows of resources on the governmental funds balance sheet totaling \$55,564 is comprised of the following:

- A. Prepaid Property Taxes
Property taxes due subsequent to June 30, 2014, but paid in advance by the taxpayers totaled \$8,988 at June 30, 2014. This amount also represents deferred inflows of resources on the Statement of Net Assets.
- B. Unavailable Property Tax Revenue
Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$46,576 at June 30, 2014.

NOTE 8—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS):

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

NOTE 9—INTERFUND LOANS AND TRANSFERS:

Interfund transfers during the year took place as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Net transfers for operating expenditures	\$ <u>(151,272)</u>	\$ <u>151,272</u>
Total Transfers, Net	\$ <u><u>(151,272)</u></u>	\$ <u><u>151,272</u></u>

NOTE 10—RESTATEMENT ADJUSTMENT:

Net position at the beginning of the year has been restated for all funds on Statement 2 and Statement 6. The restatement was necessary to comply with the GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requirement to recognize debt issuance costs as an expense in the period incurred. The restatement eliminates remaining debt issuance costs from 2003 and 2004. The restatement amount is not significant and it is not feasible to reissue financial statements for all prior years impacted by this change in accounting.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2014

NOTE 11—RECENTLY ISSUED ACCOUNTING STANDARDS:

GASB Statement No. 68—*Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*. This statement establishes standards of accounting and financial reporting for defined pension benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers that are administered through trusts or equivalent arrangements. GASB 68 amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The provisions of GASB 68 are effective for periods beginning after June 15, 2014, and would be applied on a prospective basis. The Town has not yet determined the potential impact this statement could have on its financial statements.

NOTE 12—SUBSEQUENT EVENTS:

A new water line constructed and funded by a third party under an arrangement with the Town was completed and ownership transferred to the Town during the year ending June 30, 2015. The total cost exceeded \$1,000,000 and the transaction will be reflected in the Town's financial statements at that time.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 541 451	\$ 541 451	\$ 534 525	\$ (6 926)
Other local taxes	509 765	509 765	516 627	6 862
Fines and forfeitures	7 500	7 500	8 865	1 365
Revenues from use of money and property	1 650	1 650	1 056	(594)
Charges for services	151 391	151 391	168 100	16 709
Miscellaneous	19 100	19 100	24 234	5 134
Intergovernmental:				
Revenue from the Commonwealth	70 494	70 494	75 437	4 943
Revenue from the Federal Government	4 500	4 500	2 676	(1 824)
Total Revenues	\$ 1 305 851	\$ 1 305 851	\$ 1 331 520	\$ 25 669
Expenditures:				
Current:				
General government administration	\$ 419 271	\$ 419 271	\$ 405 454	\$ 13 817
Public safety	306 057	306 057	338 051	(31 994)
Public works	367 218	367 218	351 657	15 561
Economic development	39 653	39 653	34 358	5 295
Capital expenditures	28 358	28 358	30 032	(1 674)
Debt Service:				
Debt service payments	69 965	69 965	69 301	664
Total Expenditures	\$ 1 230 522	\$ 1 230 522	\$ 1 228 853	\$ 1 669
Excess (Deficiency) of Revenues Over Expenditures	\$ 75 329	\$ 75 329	\$ 102 667	\$ 27 338
Other Financing Sources (Uses):				
Proceeds from leases and loans	\$ -	\$ -	\$ 26 467	\$ 26 467
Proceeds from disposal of assets	-	-	100	100
Net operating transfers	(75 329)	(75 329)	(151 272)	(75 943)
Total Other Financing Sources (Uses)	\$ (75 329)	\$ (75 329)	\$ (124 705)	\$ (49 376)
Net Change in Fund Balances	\$ -	\$ -	\$ (22 038)	\$ (22 038)
Fund Balance at Beginning of Year	-	-	495 970	495 970
Fund Balance at End of Year	\$ -	\$ -	\$ 473 932	\$ 473 932

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

TOWN OF SHENANDOAH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	\$ 1 442 820	\$ 1 858 263	\$ 415 443	77.64%	\$ 506 562	82.01%
June 30, 2010	1 427 788	2 051 079	623 291	69.61%	517 292	120.49%
June 30, 2011	1 471 684	2 162 835	691 151	68.04%	534 651	129.27%
June 30, 2012	1 484 071	2 225 612	741 541	66.68%	538 105	137.81%
June 30, 2013	1 559 014	2 315 938	756 924	67.32%	590 244	128.24%

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SHENANDOAH, VIRGINIA

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND:			
Revenue from Local Sources:			
General Property Taxes:			
Real property taxes	\$ 438 951	\$ 439 593	\$ 642
Personal property taxes	91 300	81 278	(10 022)
Penalties and interest	11 200	13 654	2 454
Total General Property Taxes	\$ 541 451	\$ 534 525	\$ (6 926)
Other Local Taxes:			
Local sales and use taxes	\$ 97 000	\$ 93 272	\$ (3 728)
Restaurant food taxes	150 000	163 466	13 466
Business licenses	58 000	63 490	5 490
Motor vehicle licenses	40 000	35 023	(4 977)
Utility taxes	24 000	25 113	1 113
Electric surtax	34 500	33 954	(546)
Communications tax	29 100	27 970	(1 130)
Cigarette tax	35 000	33 000	(2 000)
Electric franchise	9 465	9 465	-
Bank stock taxes	25 500	26 292	792
Transient occupancy tax	5 900	4 622	(1 278)
Permits and administration	1 300	960	(340)
Total Other Local Taxes	\$ 509 765	\$ 516 627	\$ 6 862
Fines and Forfeitures:			
Fines and forfeitures	\$ 7 500	\$ 8 865	\$ 1 365
Revenues from Use of Money and Property:			
Revenue from use of money	\$ 650	\$ 681	\$ 31
Revenue from use of property	1 000	375	(625)
Total Revenues from Use of Money and Property	\$ 1 650	\$ 1 056	\$ (594)
Charges for Services:			
Charges for maintenance of highways, streets, bridges and sidewalks	\$ 14 000	\$ 32 931	\$ 18 931
Charges for sanitation and waste removal	120 959	119 891	(1 068)
Computer center revenue	5 500	5 061	(439)
Broadband revenue	9 732	9 732	-
Sale of services and supplies	1 200	485	(715)
Total Charges for Services	\$ 151 391	\$ 168 100	\$ 16 709

TOWN OF SHENANDOAH, VIRGINIA

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Schedule 1
(Continued)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND: (Continued)			
Miscellaneous:			
Donations	\$ 15 500	\$ 21 970	\$ 6 470
Refunds/claims	2 500	1 056	(1 444)
Miscellaneous revenue	<u>1 100</u>	<u>1 208</u>	<u>108</u>
Total Miscellaneous	<u>\$ 19 100</u>	<u>\$ 24 234</u>	<u>\$ 5 134</u>
Total Revenue from Local Sources	<u>\$ 1 230 857</u>	<u>\$ 1 253 407</u>	<u>\$ 22 550</u>
Revenue from the Commonwealth:			
Noncategorical Aid:			
Railroad rolling stock taxes	\$ 13 500	\$ 14 075	\$ 575
Aid to localities with police departments	<u>44 694</u>	<u>44 692</u>	<u>(2)</u>
Total Noncategorical Aid	<u>\$ 58 194</u>	<u>\$ 58 767</u>	<u>\$ 573</u>
Categorical Aid:			
Litter control grant	\$ 1 300	\$ 1 114	\$ (186)
Asset Forfeiture Funds	1 000	3 078	2 078
VML safety grant	2 000	1 569	(431)
Fire fund	<u>8 000</u>	<u>10 909</u>	<u>2 909</u>
Total Categorical Aid	<u>\$ 12 300</u>	<u>\$ 16 670</u>	<u>\$ 4 370</u>
Total Revenue from the Commonwealth	<u>\$ 70 494</u>	<u>\$ 75 437</u>	<u>\$ 4 943</u>
Revenue from the Federal Government:			
Categorical Aid:			
Division of Motor Vehicles Minigrants	\$ 3 000	\$ 285	\$ (2 715)
Local Law Enforcement Block Grant	1 125	1 811	686
Bulletproof Vest Grant	<u>375</u>	<u>580</u>	<u>205</u>
Total Categorical Aid	<u>\$ 4 500</u>	<u>\$ 2 676</u>	<u>\$ (1 824)</u>
Total Revenue from the Federal Government	<u>\$ 4 500</u>	<u>\$ 2 676</u>	<u>\$ (1 824)</u>
Total General Fund	<u><u>\$ 1 305 851</u></u>	<u><u>\$ 1 331 520</u></u>	<u><u>\$ 25 669</u></u>

TOWN OF SHENANDOAH, VIRGINIA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND:			
General Government Administration:			
Legislative:			
Ordinance codification	\$ 1 500	\$ -	\$ 1 500
General and Financial Administration:			
General administration	\$ 151 885	\$ 149 880	\$ 2 005
Professional services	11 500	11 972	(472)
Risk management	81 000	83 087	(2 087)
Employee benefits, including payroll taxes	173 386	160 515	12 871
Total General and Financial Administration	\$ 417 771	\$ 405 454	\$ 12 317
Total General Government Administration	\$ 419 271	\$ 405 454	\$ 13 817
Public Safety:			
Law enforcement and traffic control	\$ 298 057	\$ 328 256	\$ (30 199)
Fire and rescue services	8 000	9 795	(1 795)
Total Public Safety	\$ 306 057	\$ 338 051	\$ (31 994)
Public works:			
Maintenance of Highways, Streets, Bridges and Sidewalks:			
Highways, streets, bridges and sidewalks	\$ 156 581	\$ 156 253	\$ 328
Street lights	45 828	42 193	3 635
Total Maintenance of Highways, Streets, Bridges and Sidewalks	\$ 202 409	\$ 198 446	\$ 3 963
Sanitation and Waste Removal:			
Refuse collection	\$ 88 570	\$ 86 664	\$ 1 906
Maintenance of General Buildings and Grounds:			
General properties	\$ 14 560	\$ 11 104	\$ 3 456
Parks, Recreation and Cultural:			
Recreational and cultural activities	\$ 61 679	\$ 55 443	\$ 6 236
Total Parks, Recreation and Cultural	\$ 61 679	\$ 55 443	\$ 6 236
Total Public Works	\$ 367 218	\$ 351 657	\$ 15 561

TOWN OF SHENANDOAH, VIRGINIA

40
Schedule 2
(Continued)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND: (Continued)			
Economic Development:			
Economic development administration	\$ 12 850	\$ 9 240	\$ 3 610
Computer Center	<u>26 803</u>	<u>25 118</u>	<u>1 685</u>
Total Economic Development	<u>\$ 39 653</u>	<u>\$ 34 358</u>	<u>\$ 5 295</u>
Capital Expenditures:			
Street improvements	\$ 10 000	\$ -	\$ 10 000
Police equipment	850	26 467	(25 617)
Street equipment	6 000	-	6 000
Town office equipment	6 181	3 565	2 616
Miscellaneous	1 500	-	1 500
Contingencies	<u>3 827</u>	<u>-</u>	<u>3 827</u>
Total Capital Expenditures	<u>\$ 28 358</u>	<u>\$ 30 032</u>	<u>\$ (1 674)</u>
Debt Service:			
Debt service payments	<u>\$ 69 965</u>	<u>\$ 69 301</u>	<u>\$ 664</u>
Total General Fund	<u><u>\$ 1 230 522</u></u>	<u><u>\$ 1 228 853</u></u>	<u><u>\$ 1 669</u></u>