

**TOWN OF MIDDLEBURG, VIRGINIA**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**TOWN OF MIDDLEBURG, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

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**TOWN OF MIDDLEBURG, VIRGINIA  
JUNE 30, 2013**

**MAYOR AND TOWN COUNCIL**

Betsy Allen Davis, Mayor

C. Darlene Kirk, Vice Mayor	Catherine “Bundles” Murdock
Kathy jo Shea	Kevin Hazard
Trowbridge Littleton	David B. Stewart
Mark T. Snyder	

**OFFICIALS**

Martha Mason Semmes, Town Administrator  
Debbie J. Wheeler, Town Treasurer  
David M. Beniamino, Town Planner/Zoning Administrator  
A.J. Panebianco, Chief of Police  
Rhonda S. North, Clerk of Council  
Cindy Pearson, Economic Development Coordinator

**LEGAL COUNSEL**

Angela K. Plowman

# MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA  
SANDRA M. TONDREAU, CPA

MEGAN R. JOLLON, CPA  
AMANDA L. MASON, CPA  
W. MATTHEW BURNS, CPA

110 EAST MARKET STREET | SUITE 200  
LEESBURG, VIRGINIA 20176  
P 703.777.4900 | F 703.771.3082  
WWW.MCOCPA.COM

MEMBERS  
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VIRGINIA SOCIETY OF  
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## INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of Town Council  
Town of Middleburg, Virginia  
Middleburg, Virginia

### Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and remaining fund information of the Town of Middleburg, Virginia at June 30, 2013, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with account principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 management discussion and analysis 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 statement, and other knowledge we obtained during our audit of the basic financial statement. 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 Middleburg, Virginia's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and related 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 financial statements or to the 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 financial statements as a whole.

Leesburg, Virginia  
November 14, 2013

*Mitchell & Co., P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Middleburg, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Middleburg, Virginia for the fiscal year ended June 30, 2013.

### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$12,540,239.
- The Town's total net position increased by \$558,832.
- As of the close of the current fiscal year, the Town of Middleburg's governmental funds reported combined ending fund balances of \$1,143,512, an increase of \$63,799 in comparison with the prior year. The available amount for spending at the government's discretion was \$1,053,512.
- The Town's total liabilities decreased by \$63,322 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Middleburg, Virginia's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all Town assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Middleburg that are principally supported by taxes and intergovernmental revenues, (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, (business-type activities). The governmental activities of the Town of Middleburg include general government, public safety, and public works. The business-type activities of the Town include water and sewer.

The government-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements.** 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 of Middleburg, Virginia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Middleburg adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

**Proprietary funds.** The Town of Middleburg, Virginia uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The Town's enterprise funds include the water fund and sewer fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, which are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statement because the resources of those funds are not available to support the Town of Middleburg's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 – 21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 38 of this report.

**Supplementary Information.** Supplementary schedules can be found on pages 39 – 44 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Middleburg, Virginia, assets exceeded liabilities by \$12,540,239 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Middleburg uses these capital assets to provide services to its 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. The following table presents a summary of the Town's net position by type of activity as of June 30, 2013.

TOWN OF MIDDLEBURG – NET POSITION			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 1,286,504	\$ 632,301	\$ 1,918,805
Capital assets	1,202,856	13,122,327	14,325,183
Total Assets	2,489,360	13,754,628	16,243,988
<b>Liabilities</b>			
Long-term liabilities	223,857	3,263,815	3,487,672
Other liabilities	74,525	141,552	216,077
Total Liabilities	298,382	3,405,367	3,703,749
<b>Net Position</b>			
Invested in capital assets-net of related debt	1,030,067	10,068,556	11,098,623
Unrestricted	1,160,911	280,705	1,441,616
Total Net Position	\$ 2,190,978	\$ 10,349,261	\$ 12,540,239

The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town of Middleburg is able to report positive balances in both categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

The Town's net position increased by \$558,832 during the current fiscal year.

**Governmental activities.** Governmental activities increased the Town of Middleburg's net position by \$27,773. These changes are presented in column one of the following table:

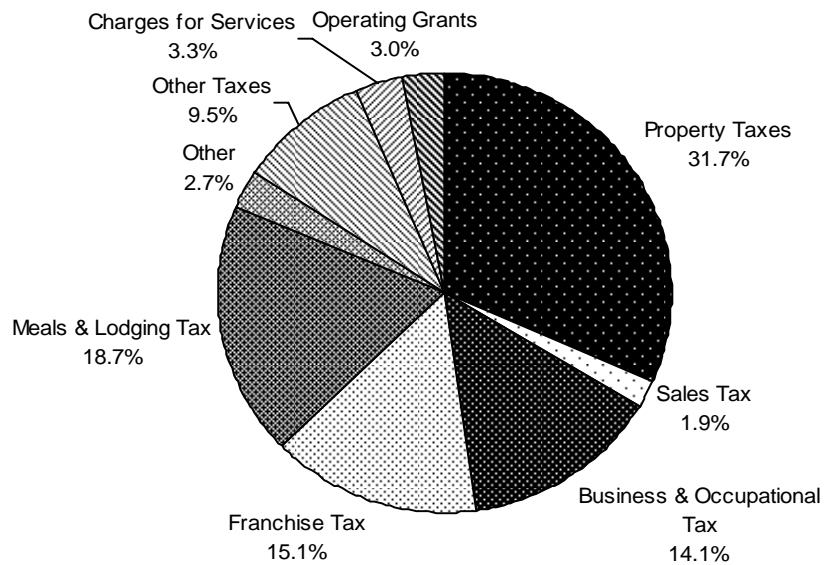
<b>TOWN OF MIDDLEBURG – CHANGES IN NET POSITION</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Program Revenues</b>			
Charges for services	\$ 52,191	\$ 788,591	\$ 840,782
Operating grants and contributions	46,845	-	46,845
Capital grants and contributions	-	878,868	878,868
<b>General Revenues</b>			
Property taxes	495,488	-	495,488
Other taxes	965,337	-	965,337
Other	5,410	12,791	18,201
Total Revenues	1,565,271	1,680,250	3,245,521
<b>Expenses</b>			
General government	630,755	-	630,755
Public safety	559,387	-	559,387
Public works	287,170	-	287,170
Interest on long-term debt	8,601	-	8,601
Infrastructure	51,585	-	51,585
Water & Sewer	-	1,149,191	1,149,191
Total Expenses	1,537,498	1,149,191	2,686,689
Increase (Decrease) in Net Position	27,773	531,059	558,832
Net Position – beginning	2,163,205	9,818,202	11,981,407
Net Position – ending	\$ 2,190,978	\$ 10,349,261	\$ 12,540,239

- Revenue from property taxes increased by \$36,224 during the year.

The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2013.

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**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**

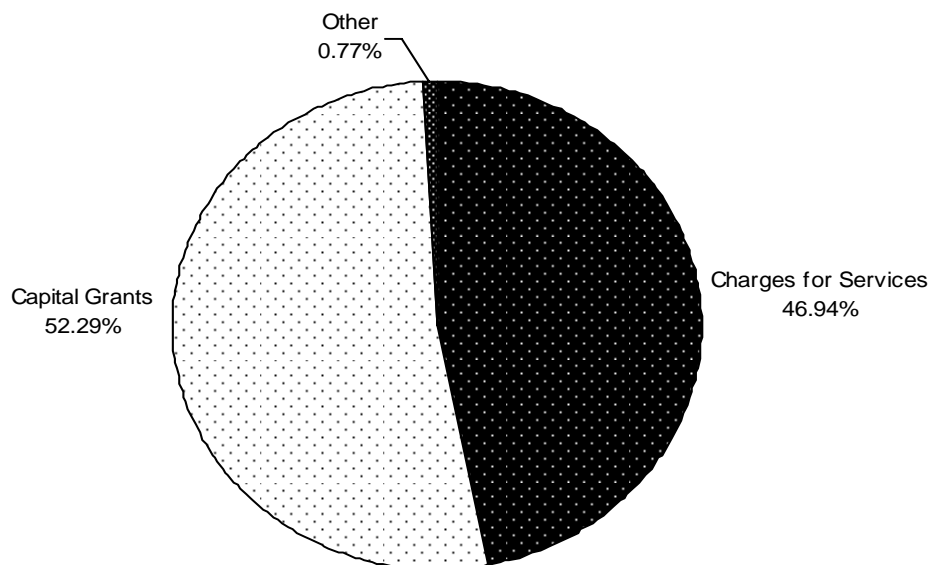


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The following chart presents a graphic representation of the Town's business-type activities and the related revenue structure for fiscal year 2013.

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**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES**



**Business-type activities.** Business-type activities increased the Town of Middleburg's net position by \$531,059. Last year, business-type activities had a net gain of \$7,475,959. Key elements of this change are as follows.

- Expenses increased by \$64,764 while charges for services increased by \$28,540.
- Non-operating revenue decreased by \$6,908,676 over last year's amount due primarily to the donation of the water treatment plant and wastewater treatment plant in 2012.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town of Middleburg, Virginia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town of Middleburg's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Middleburg's governmental funds reported combined ending fund balances of \$1,143,512, an increase of \$63,799 in comparison with the prior year. Of this total amount (\$1,143,512), \$1,053,512 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town of Middleburg, Virginia. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,053,512. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance is \$1,053,512 compared to total general fund expenditures of \$1,499,700.

**Proprietary funds.** The Town of Middleburg, Virginia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the water and sewer fund at the end of the year amounted to \$10,349,261. The total increase in net position for proprietary funds was \$531,059. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The Town of Middleburg, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$14,325,183 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, infrastructure improvements, equipment and machinery, and construction in process.

The table below summarizes the capital assets of the Town at June 30, 2013.

<b>TOWN OF MIDDLEBURG – CAPITAL ASSETS</b> <b>(NET OF ACCUMULATED DEPRECIATION)</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 530,500	\$ 954,886	\$ 1,485,386
Buildings	6,205	-	6,205
Water system - lines	-	6,703,384	6,703,384
Sanitary sewer system	-	5,355,796	5,355,796
Infrastructure improvements	603,263	-	603,263
Equipment and machinery	62,888	108,261	171,149
Construction in process	-	-	-
Total	<u>\$ 1,202,856</u>	<u>\$ 13,122,327</u>	<u>\$ 14,325,183</u>

Additional information on the Town of Middleburg capital assets can be found in note III.D on pages 29 – 31 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Middleburg, Virginia had total debt outstanding of \$3,436,603. This entire amount comprises debt backed by the full faith and credit of the government even though all of it will be repaid from proprietary fund revenue.

The Town of Middleburg's total debt decreased by \$76,831 during the current fiscal year.

Additional information on the Town of Middleburg's long-term debt can be found in note III.E on pages 31 – 33 of this report.

## REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Town of Middleburg's finances for all those with an interest in the government's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Town of Middleburg, 10 West Marshall Street, P.O. Box 187, Middleburg, VA 20118

**TOWN OF MIDDLEBURG, VIRGINIA**  
**GOVERNMENT WIDE STATEMENT OF NET POSITION**  
**June 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,278,623	\$ 281,139	\$ 1,559,762
Receivables (net of allowance for uncollectible, where applicable)			
Property taxes	17,501	-	17,501
Utility taxes	13,062	-	13,062
Utility service	-	154,640	154,640
Accounts	31,830	19,017	50,847
Franchise and other taxes	-	-	-
Due from other governments	5,466	-	5,466
Interfund advances	(78,691)	78,691	-
Restricted assets, cash and cash equivalents	18,713	-	18,713
Bond issuance costs	-	98,814	98,814
Prepaid items	-	-	-
Capital assets (net of accumulated depreciation)			
Land	530,500	954,886	1,485,386
Building	6,205	-	6,205
Water system - lines	-	6,703,384	6,703,384
Sanitary sewer system	-	5,355,796	5,355,796
Infrastructure	603,263	-	603,263
Equipment and machinery	62,888	108,261	171,149
Construction in progress	-	-	-
<b>Total assets</b>	<b>2,489,360</b>	<b>13,754,628</b>	<b>16,243,988</b>
<b>Liabilities</b>			
Accounts payable	39,995	98,732	138,727
Accrued expenses	15,817	-	15,817
Accrued interest payable	-	32,215	32,215
Deposits, performance bonds and offsite fees	18,713	10,605	29,318
Noncurrent liabilities:			
Due within one year	7,789	82,177	89,966
Due in more than one year	216,068	3,181,638	3,397,706
<b>Total liabilities</b>	<b>298,382</b>	<b>3,405,367</b>	<b>3,703,749</b>
<b>Net Position</b>			
Invested in capital assets-net of related debt	1,030,067	10,068,556	11,098,623
Unrestricted	1,160,911	280,705	1,441,616
<b>Total net position</b>	<b>\$ 2,190,978</b>	<b>\$ 10,349,261</b>	<b>\$ 12,540,239</b>

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 630,755	\$ 52,191	\$ 25,594	\$ -	\$ (552,970)	\$ -	\$ (552,970)
Public safety	559,387	-	21,251	-	(538,136)	-	(538,136)
Public works	287,170	-	-	-	(287,170)	-	(287,170)
Interest on long-term debt	8,601	-	-	-	(8,601)	-	(8,601)
Infrastructure depreciation	51,585	-	-	-	(51,585)	-	(51,585)
Total governmental activities	1,537,498	52,191	46,845	-	(1,438,462)	-	(1,438,462)
Business-type activities							
Water & Sewer	1,149,191	788,591	-	878,868	-	518,268	518,268
Total business-type activities	1,149,191	788,591	-	878,868	-	518,268	518,268
Total primary government	\$ 2,686,689	\$ 840,782	\$ 46,845	\$ 878,868	(1,438,462)	518,268	(920,194)
General revenues							
Property taxes					495,488	-	495,488
Sales taxes					31,349	-	31,349
Business and occupational taxes					220,028	-	220,028
Motor vehicle taxes					11,062	-	11,062
Franchise taxes					236,470	-	236,470
Consumer taxes					112,175	-	112,175
Fines and forfeitures					36,376	-	36,376
Meals and lodging taxes					291,554	-	291,554
Cigarette taxes					26,323	-	26,323
Unrestricted investment earnings					2,760	614	3,374
Bond premium amortization					-	12,177	12,177
Gain on sale of assets					2,650	-	2,650
Total general revenues and transfers					1,466,235	12,791	1,479,026
Change in net position					27,773	531,059	558,832
Net position - beginning					2,163,205	9,818,202	11,981,407
Net position - ending					\$ 2,190,978	\$ 10,349,261	\$ 12,540,239

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**June 30, 2013**

	<u><b>General Fund</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,278,624
Receivables	
Property taxes	17,501
Utility taxes	13,062
Franchise and other taxes	31,830
Due from other governments	5,466
Due from other funds	13,590
Restricted asset, cash and cash equivalents	18,713
<b>Total assets</b>	<u><u>\$ 1,378,786</u></u>
<b>Liabilities and Fund Balances</b>	
Liabilities	
Accounts payable	\$ 39,995
Deposits, performance bonds and offsite fees	18,713
Deferred revenues	17,401
Due to other funds	92,280
Accrued expenses	15,816
Compensated absences	51,069
<b>Total liabilities</b>	<u>235,274</u>
Fund balances	
Committed-parking fund	90,000
Unassigned	1,053,512
<b>Total fund balances</b>	<u>1,143,512</u>
<b>Total liabilities and fund balances</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,202,856
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	17,401
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds	<u>(172,791)</u>
Net assets of governmental activities	<u><u>\$ 2,190,978</u></u>

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u><b>General Fund</b></u>
<b>Revenues</b>	
General property taxes	\$ 493,716
Other local taxes	928,961
Zoning permits, fess, and licenses	16,120
Fines and forfeitures	36,376
Revenues from the use of money and property	2,760
Municipal parking	23,840
Miscellaneous	12,710
Intergovernmental	46,366
<b>Total revenues</b>	<u>1,560,849</u>
<b>Expenditures</b>	
General government	666,060
Public safety	550,070
Public works	283,570
<b>Total expenditures</b>	<u>1,499,700</u>
<b>Excess of revenues over expenditures</b>	<u>61,149</u>
<b>Other Financing Sources</b>	
Sale of government property	<u>2,650</u>
<b>Total other financing sources</b>	<u>2,650</u>
<b>Net change in fund balances</b>	63,799
<b>Fund balance - beginning</b>	<u>1,079,713</u>
<b>Fund balance - ending</b>	<u><u>\$ 1,143,512</u></u>

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**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, 2013**

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

Net change in fund balances - total governmental funds	\$ 63,799
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	56,805
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(101,866)
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The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,263
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>1,772</u>
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Change in net assets of governmental activities	<u><u>\$ 27,773</u></u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF MIDDLEBURG, VIRGINIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
General property taxes	\$ 479,000	\$ 493,716	\$ 14,716
Other local taxes	974,000	928,961	(45,039)
Permits, zoning, and signs	15,000	16,120	1,120
Fines and forfeitures	35,500	36,376	876
Revenues from use of money	500	2,760	2,260
Municipal parking	38,200	23,840	(14,360)
Miscellaneous	12,400	12,710	310
Intergovernmental	386,549	46,366	(340,183)
<b>Total revenues</b>	<u>1,941,149</u>	<u>1,560,849</u>	<u>(380,300)</u>
<b>Expenditures</b>			
General government	715,605	666,060	49,545
Public safety	547,158	550,070	(2,912)
Public works	694,184	283,570	410,614
<b>Total expenditures</b>	<u>1,956,947</u>	<u>1,499,700</u>	<u>457,247</u>
<b>Excess of revenues over expenditures</b>	<u>(15,798)</u>	<u>61,149</u>	<u>76,947</u>
<b>Other Financing Sources</b>			
Sale of government property	-	2,650	2,650
<b>Total other financing sources</b>	<u>-</u>	<u>2,650</u>	<u>2,650</u>
<b>Net change in fund balances</b>	<u>(15,798)</u>	<u>63,799</u>	<u>79,597</u>
<b>Fund balances - beginning</b>	<u>1,079,713</u>	<u>1,079,713</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 1,063,915</u>	<u>\$ 1,143,512</u>	<u>\$ 79,597</u>

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	<b>Business-Type Activities</b>	
	<b>Water And Sewer Current Year</b>	<b>Water And Sewer Prior Year</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 281,139	\$ 370,611
Receivables		
Utility service	154,640	150,610
Accounts	19,017	26,201
Total current assets	<u>454,796</u>	<u>547,422</u>
Noncurrent assets		
Bond issuance costs	98,814	92,241
Due from other funds	92,279	79,055
Prepaid items	-	1,109
Total noncurrent assets	<u>191,093</u>	<u>172,405</u>
Capital assets		
Land	954,886	954,886
Water system	8,719,551	7,906,589
Sanitary sewer system	7,152,429	7,114,278
Equipment	258,560	239,363
Construction in progress	-	-
Less accumulated depreciation	<u>(3,963,099)</u>	<u>(3,622,940)</u>
Total capital assets	<u>13,122,327</u>	<u>12,592,176</u>
<b>Total assets</b>	<u><b>13,768,216</b></u>	<u><b>13,312,003</b></u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	98,732	89,492
Deposits, performance bonds and offsite fees	10,605	9,459
Accrued interest payable	32,215	47,876
Due to other funds	13,588	13,589
Current maturities of long-term debt	82,177	111,906
Total current liabilities	<u>237,317</u>	<u>272,322</u>
Noncurrent liabilities		
Long-term debt	<u>3,181,638</u>	<u>3,221,479</u>
<b>Total liabilities</b>	<u><b>3,418,955</b></u>	<u><b>3,493,801</b></u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	10,068,556	9,481,012
Unrestricted	280,705	337,190
<b>Total net position</b>	<u><b>\$ 10,349,261</b></u>	<u><b>\$ 9,818,202</b></u>

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-Type Activities</b>	
	<b>Water And Sewer Current Year</b>	<b>Water And Sewer Prior Year</b>
<b>Operating revenues:</b>		
Water and sewer charges	\$ 617,265	\$ 585,181
Connection fees	3,000	-
Tower rental	160,323	149,943
Other fees, reimbursements and recoveries	8,003	24,927
<b>Total operating revenues</b>	<b>788,591</b>	<b>760,051</b>
<b>Operating expenses:</b>		
Personal services	-	14,000
Administrative	48,918	50,447
Depreciation	340,159	361,173
Contracted services	344,249	271,912
Supplies	74,620	58,764
Repairs and maintenance	19,809	25,325
Insurance	4,367	5,100
Utilities	64,433	51,113
Tests	33,605	43,252
Sludge removal	20,358	45,725
Bad debt	13,585	-
Other	2,978	2,947
<b>Total operating expenses</b>	<b>967,081</b>	<b>929,758</b>
<b>Operating income (loss)</b>	<b>(178,490)</b>	<b>(169,707)</b>
<b>Nonoperating revenues (expenses):</b>		
Interest income	614	158
Interest expense	(137,990)	(149,826)
Bond premium amortization	12,177	12,177
Bond issuance costs	(44,120)	(4,843)
<b>Total nonoperating revenue (expenses)</b>	<b>(169,319)</b>	<b>(142,334)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(347,809)</b>	<b>(312,041)</b>
<b>Transfers and capital contributions</b>		
Availability Fees	27,756	-
Donated Capital	851,112	7,788,000
<b>Total transfers and capital contributions</b>	<b>878,868</b>	<b>7,788,000</b>
<b>Change in net position</b>	<b>531,059</b>	<b>7,475,959</b>
<b>Total net position - beginning of year</b>	<b>9,818,202</b>	<b>2,342,243</b>
<b>Total net position - end of year</b>	<b>\$ 10,349,261</b>	<b>\$ 9,818,202</b>

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Water and Sewer</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 791,745
Payments to suppliers	(615,428)
Payments to employees	-
Net cash provided by operating activities	<u>176,317</u>
<b>Cash Flows from Nonoperating Financing Activities</b>	
Advances to other funds	(13,225)
Net cash provided (used) by capital and related financing activities	<u>(13,225)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets (capital contributed \$851,112)	(19,196)
Capital Contributed	27,756
Bond issuance costs	(50,693)
Bond premium	-
Acquisition of new debt	1,048,770
Principal paid on capital debt	(1,106,164)
Interest paid on capital debt	(153,651)
Net cash provided (used) by capital and related financing activities	<u>(253,178)</u>
<b>Cash Flows from Investing Activities</b>	
Interest and dividends received	614
Net cash provided by investing activities	<u>614</u>
Net (decrease) in cash and cash equivalents	(89,472)
Cash and cash equivalents July 1, 2012	<u>370,611</u>
Cash and cash equivalents June 30, 2013	<u>\$ 281,139</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating loss	\$ (178,490)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	340,159
(Increase) decrease in assets:	
Accounts receivable	3,154
Prepaid expenses	1,109
Increase (decrease) in liabilities:	
Customer deposits	1,146
Accounts payable	9,239
Total adjustments	<u>354,807</u>
Net cash provided by operating activities	<u>\$ 176,317</u>

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

**TOWN OF MIDDLEBURG, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2013**

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	<b>Non- Expendable Health Center</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 207,096
Fixed assets (net of accumulated depreciation of \$373,914)	<u>192,612</u>
<b>Total assets</b>	<u><u>\$ 399,708</u></u>
<b>Liabilities</b>	
Accounts payable and other	<u>\$ 25,063</u>
<b>Net Position</b>	
Invested in capital assets	192,612
Restricted	<u>182,033</u>
<b>Total net position</b>	<u><u>374,645</u></u>
<b>Total liabilities and net position</b>	<u><u>\$ 399,708</u></u>

The notes to the financial statement are an integral part of this schedule.

**TOWN OF MIDDLEBURG, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Non- Expendable Health Center</b>
<b>Additions</b>	
Rental income and deposits	\$ 61,115
Interest	472
<b>Total additions</b>	<u>61,587</u>
<b>Deductions</b>	
Administrative	3,226
Supplies	1,166
Insurance	1,494
Depreciation	3,872
Repairs and maintenance	20,010
Utilities	11,500
Donations	20,000
<b>Total deductions</b>	<u>61,268</u>
<b>Change in net position</b>	319
<b>Net position - beginning</b>	<u>374,326</u>
<b>Net position - ending</b>	<u><u>\$ 374,645</u></u>

The notes to the financial statement are an integral part of this schedule.

## **TOWN OF MIDDLEBURG, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Middleburg, Virginia, (the “Town”) was established in 1787. The Town is governed by a mayor and a seven-member Town Council, who are elected at large for a four year term.

The financial statements of the Town of Middleburg, Virginia (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the more significant policies is presented to assist the reader in interpreting the financial statements and other data contained in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

##### **A. REPORTING ENTITY**

The Town is an incorporated municipal government governed by an elected mayor and seven-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined at appointment of voting majority of the component unit’s board and either (a) the ability to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above, all potential component units were evaluated for inclusion in the reporting entity and it was determined that there are no component units requiring inclusion in the Town’s reporting.

##### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

##### **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 financial 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 imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

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**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

Governmental fund 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the Town's water and sewer operations.

Additionally, the government reports the following fund types:

The *nonexpendable health center fund* is a nonexpendable trust fund used to account for resources legally held in trust for use by a not-for-profit organization.

Private-sector standards of accounting and financial reporting issued prior to December 2, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

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**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 water and sewer enterprise funds are charges to customers for sales and services. The authority also recognizes as operating revenue the portion of tap fees intended to cover the cost of connecting new customers to the system. Operating expenses for 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**1. DEPOSITS AND INVESTMENTS**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value, which approximates cost due to the short-term nature of the investment maturities.

**2. RECEIVABLES AND PAYABLES**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The trade and property tax receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined using historical collection data and account analysis.

## TOWN OF MIDDLEBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 2. RECEIVABLES AND PAYABLES (CONTINUED)

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia for all property of record as of January 1. The Town bills and collects its own property taxes based on the assessed values provided by the County. Real estate and personal property taxes are levied annually on January 1 and are due on December 5.

Collections of real and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended, in accordance with the standards established by the Auditor of Public Accounts of the Commonwealth of Virginia. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

#### 3. RESTRICTED ASSETS

*Customer Deposits* – The Town collects a utility deposit when a new customer establishes a water/sewer account. Under certain circumstances, the deposit is refunded. Cash is restricted to set aside resources for future refunding along with a related customer deposit liability.

*Off-site Fees, Performance Bonds, and Deposits* – Cash funds are restricted to set aside resources designated for fulfilling the obligation related to these deposit liabilities. As funds are utilized for these purposes, the restricted cash asset and deposit liability is reduced.

#### 4. 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 activity columns in the government-wide financial statements. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Type of Asset	Years
Buildings	40
Equipment and vehicles	5-20
Infrastructure	30
Utility distribution systems	20-50

## TOWN OF MIDDLEBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 5. COMPENSATED ABSENCES

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. At the time of retirement, employees are paid 25% of their unused sick pay. The Town accrues 50% of the earned sick pay in the government-wide and proprietary fund financial statements. Unused vacation is paid to employees upon separation from service. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund.

#### 6. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts of debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

#### 7. FUND EQUITY

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact ( corpus of a permanent fund);
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are only reported in the general fund.

## **TOWN OF MIDDLEBURG, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **7. FUND EQUITY (CONTINUED)**

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

#### **8. NET POSITION**

Net position is the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

#### **9. ESTIMATES**

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

#### **10. COMPARATIVE DATA/RECLASSIFICATIONS**

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in prior year data have been reclassified to be consistent with current year's presentation.

### **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end. Budgets for the enterprise funds serve as a spending guide and do not constitute legally binding limitations.

Before June 30, the proposed budget is presented to Town Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function, and department. The Town's council made no general fund supplemental budgetary appropriations during the year.

## TOWN OF MIDDLEBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2013, expenditures exceeded appropriations by \$2,912 in the Public Safety department. In all other general fund departments, expenditures were less than appropriations.

#### **III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

##### **A. DEPOSITS AND INVESTMENTS**

###### Deposits

As of June 30, 2013, the carrying amount of the Town's deposits with banks and savings institutions was \$1,785,571 and the bank balance was \$1,846,606.

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

###### Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain qualifying corporate notes, bankers acceptances, repurchase agreements and the State Treasurer's Local Government Pool (LGIP).

As of June 30, 2013, the government did not hold any investment securities.

##### **B. RECEIVABLES**

Receivables as of year end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables			
Delinquent property taxes	\$ 17,501	\$ -	\$ 17,501
Utility taxes	13,062	-	13,062
Utility service	-	154,640	154,640
Franchise and other taxes	31,830	19,017	50,847
Net total receivables	<u>\$ 62,393</u>	<u>\$ 173,657</u>	<u>\$ 236,050</u>

**TOWN OF MIDDLEBURG, VIRGINIA****NOTES TO FINANCIAL STATEMENTS****B. RECEIVABLES (CONTINUED)**

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue reported in the governmental funds was \$17,401 representing delinquent property taxes in the general fund.

**C. DUE FROM OTHER GOVERNMENTS**

At June 30, 2013 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia – Loudoun County Sales Tax	\$ 5,466

**D. CAPITAL ASSETS**

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

**Primary Government**

	7/01/2012 Balance	Increases	Decreases	6/30/2013 Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 530,500	\$ -	\$ -	\$ 530,500
Total capital assets not being depreciated	530,500	-	-	530,500
Capital assets, being depreciated:				
Buildings	67,420	-	-	67,420
Machinery and equipment	535,215	33,148	-	568,363
Infrastructure	1,157,878	23,659	-	1,181,537
Total capital assets being depreciated	1,760,513	56,807	-	1,817,320
Less accumulated depreciation for:				
Buildings	(60,945)	(270)	-	(61,215)
Machinery and equipment	(479,122)	(26,354)	-	(505,476)
Infrastructure	(503,031)	(75,242)	-	(578,273)
Total accumulated depreciation	(1,043,098)	(101,866)	-	(1,144,964)
Net capital assets being depreciated	717,415	(45,059)	-	672,356
Governmental capital assets	\$ 1,247,915	\$ (45,059)	\$ -	\$ 1,202,856

**TOWN OF MIDDLEBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**D. CAPITAL ASSETS (CONTINUED)**

	7/01/2012 Balance	Increases	Decreases	6/30/2013 Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 954,886	\$ -		\$ 954,886
Construction in progress	-			-
Total capital assets not being depreciated	954,886	-	-	954,886
Capital assets, being depreciated:				
Water system - lines	7,906,589	812,962	-	8,719,551
Sanitary sewer system	7,114,278	38,151	-	7,152,429
Equipment	239,363	19,197	-	258,560
Total capital assets being depreciated	15,260,230	870,310	-	16,130,540
Less accumulated depreciation for:				
Water system	(1,843,988)	(172,180)		(2,016,168)
Sanitary sewer system	(1,636,755)	(159,878)	-	(1,796,633)
Equipment	(142,197)	(8,101)	-	(150,298)
Total accumulated depreciation	(3,622,940)	(340,159)	-	(3,963,099)
Net capital assets being depreciated	11,637,290	530,151	-	12,167,441
Business-type activities capital assets	\$12,592,176	\$ 530,151	\$ -	\$13,122,327
	7/01/2012 Balance	Increases	Decreases	6/30/2013 Balance
<b>Fiduciary activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 71,424	\$ -	\$ -	\$ 71,424
Total capital assets not being depreciated	71,424	-	-	71,424
Capital assets, being depreciated:				
Building	447,980	4,393	-	452,373
Equipment	4,067	38,662	-	42,729
Total capital assets, being depreciated	452,047	43,055	-	495,102
Less accumulated depreciation for:				
Building	(365,975)	(3,228)	-	(369,203)
Equipment	(4,067)	(644)	-	(4,711)
Total accumulated depreciation	(370,042)	(3,872)	-	(373,914)
Net capital assets being depreciated	82,005	39,183	-	121,188
Fiduciary activities capital assets	\$ 153,429	\$ 39,183	\$ -	\$ 192,612

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

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**D. CAPITAL ASSETS (CONTINUED)**

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 6,444
Public safety	16,580
Public works	3,600
Infrastructure	75,242
Total depreciation expense - governmental activities	<u>\$ 101,866</u>
Business-type activities:	
Water and sewer	\$ 340,159
Total depreciation expense - business-type activities	<u>\$ 340,159</u>
Fiduciary activities:	
Health Center	\$ 3,872
Total depreciation expense - fiduciary activities	<u>\$ 3,872</u>

**E. LONG-TERM DEBT**

*General Obligation Bonds.* The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and proprietary activities. These bonds are reported in the funds as they are expected to be repaid. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with amounts of principal maturing each year.

General obligation bonds and notes outstanding at June 30, 2013 are as follows:

Description	Amount
\$2,135,000 general obligation refunding bond, series 2010, dated October 23, 2010, interest at 5.50%, interest payable semi-annual, principal due annually starting October 1, 2011 in amounts \$60,000 to \$165,000, due October 1, 2030.	2,005,000
\$1,213,770 general obligation refunding bond, series 2013, dated March 28, 2013, interest at 2.18%, interest payable semi-annual, principal due semi-annually starting August 1, 2014 in amounts \$24,000 to \$203,000, due August 1, 2034.	<u>1,213,770</u>
Total General Obligation Debt	<u>\$ 3,218,770</u>

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

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**E. LONG-TERM DEBT (CONTINUED)**

On March 28, 2013, the Town issued a general obligation refunding bond for \$1,213,770. The Town issued the bond to currently refund the Series 2007 general obligation refunding bond, Series 1997 VRLF Clean Water Loan and Series 2000 VRLF Clean Water Loan. The advance refunding reduced total debt service payments over the next 20 years by \$470,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$347,000.

Annual debt service requirements to maturity for general obligation debt is as follows:

Year ending June 30,	Business-type Activities	
	Principal	Interest
2014	70,000	119,166
2015	122,865	119,595
2016	128,914	115,015
2017	129,919	110,275
2018	117,518	105,226
2019-2023	629,379	442,450
2024-2028	719,264	291,264
2029-2033	900,690	116,273
2034-2035	400,221	9,833
	<u>\$ 3,218,770</u>	<u>\$ 1,429,097</u>

Capital Lease: The Town entered into a lease agreement for the acquisition of a vehicle. The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2013 are as follows:

Year Ending June 30	Governmental
2014	<u>8,354</u>
Total minimum lease payments	8,354
Less: amount representing interest	(565)
Present value of minimum lease payments	<u>\$ 7,789</u>

**TOWN OF MIDDLEBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**E. LONG-TERM DEBT (CONTINUED)**

Long-term liability activity for the year ended June 30, 2013 was as follows:

	7/1/2012			6/30/2013	
	Beginning			Ending	Due Within
	Balance	Additions	Retirements	Balance	One Year
<b>Governmental activities:</b>					
General obligation debt	\$ 165,000	\$ -	\$ -	\$ 165,000	\$ -
Compensated absences	42,298	8,770		51,068	-
Capital lease	15,051		(7,262)	7,789	7,789
Governmental activity					
Long-term liabilities	\$ 222,349	\$ 8,770	\$ (7,262)	\$ 223,857	\$ 7,789

	7/1/2012			6/30/2013	
	Beginning			Ending	Due Within
	Balance	Additions	Retirements	Balance	One Year
<b>Business-type activities:</b>					
Bonds payable:					
General obligation debt	\$ 3,111,164	\$ -	\$ (57,394)	\$ 3,053,770	\$ 70,000
Bond premium	222,221	-	(12,176)	210,045	12,177
Compensated absences	-	-	-	-	-
Business-type activity					
Long-term liabilities	\$ 3,333,385	\$ -	\$ (69,570)	\$ 3,263,815	\$ 82,177

Total 2013 interest debt service and fees on long-term debt was \$161,962

**F. CAPITAL CONTRIBUTIONS**

Contributed capital for the water and sewer fund consists of capital assets received from developers. A summary of capital contributions collected during fiscal year 2013 follows:

Source of Capital	Amount
Salamander Developer	
Water Lines	\$ 812,962
Sewer Lines	38,151
	<u>\$ 851,113</u>

## **TOWN OF MIDDLEBURG, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **IV. OTHER INFORMATION**

##### **A. 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 together with other municipalities in the Commonwealth of Virginia in several public entity risk pools (not self-insured) that operate as common risk management and insurance programs for member municipalities. The risk pools include:

**VMGSIA:** The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2013, the Town paid premiums of approximately \$9,435 to VMGSIA.

**VMLP:** The Town has general and excess liability, automobile, property, boiler and machinery, law enforcement liability, public officials, legal liability, and commercial crime insurance with the Virginia Municipal Liability Pool (VMLP). During the fiscal year 2013, the Town paid contributions of approximately \$17,963 to the VMLP.

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

##### **B. SURETY BONDS**

The Town maintains a \$100,000 blanket surety bond on all town officials through the Virginia Municipal Liability Pool Insurance Program.

##### **C. DEFINED BENEFIT PENSION PLAN**

###### **Plan Description**

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-employer Defined Benefit 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. 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 their normal social security retirement age or when the sum of their age and service equals 90, with at least five years of service credit. They may retire with a reduced benefit early at age 60 with at least 5 years of service credit.

**C. DEFINED BENEFIT PENSION PLAN (Continued)**

- 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. 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 1.65%. The retirement multiplier for sheriffs and regional jail superintendents is 1.70%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% 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.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Active non-vested members in Plan 1 and all Plan 2 members will receive a maximum COLA of 3.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or 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% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the Town. 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 *Cod of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013 was 16.50% of annual covered payroll.

## TOWN OF MIDDLEBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### C. DEFINED BENEFIT PENSION PLAN (Continued)

##### Annual Pension Cost (APC)

For fiscal year 2013, the Town's annual pension cost of \$131,816 was equal to the Town's required and actual contributions.

Five-year historical trend information for annual premium costs is as follows:

FYE June 30,	Annual Premium Costs (APC)	% APC Funded	Net Pension Oligation
2013	\$ 131,816	100	None
2012	116,275	100	None
2011	108,845	100	None
2010	103,055	100	None
2009	112,717	100	None

The required FY2013 contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal 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 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 2.5% per year. 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 payroll on an open basis. The remaining amortization period at June 30, 2012 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years at an employer annual funding rate of 5.70%.

##### Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 71.99% funded. The actuarial accrued liability for benefits was \$2,293,359 and the actuarial value of assets was \$1,650,979 resulting in an unfunded actuarial accrued liability (UAAL) of \$642,380. The covered payroll (annual payroll of active employees covered by the plan) was \$629,895 and ratio of the UAAL to the covered payroll was 101.98%.

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

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**C. DEFINED BENEFIT PENSION PLAN (Continued)**

The Schedule of Funding Progress, presented below is required supplementary information, and presents multi-year 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.

Schedule of Funding Progress for the Town

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded 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, 2012	\$ 1,650,979	\$ 2,293,359	\$ 642,380	71.99%	\$ 629,895	101.98%
June 30, 2011	1,631,956	2,065,907	433,954	78.99%	613,430	70.74%
June 30, 2010	1,550,642	1,860,133	309,491	83.4%	531,430	58.24%
June 30, 2009	1,493,324	1,609,250	115,927	93.8%	620,430	18.68%
June 30, 2008	1,397,763	1,555,369	157,606	89.9%	598,994	26.31%

**D. DEFERRED COMPENSATION PLAN**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

**E. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Retirees from the Town meeting the requirements for retirement under the Virginia Retirement System are eligible to participate in the Town's health insurance program. Such retirees shall receive a \$100 per month benefit paid by the Town toward the cost of the health insurance premium. All remaining costs are paid by the retiree. For fiscal year ended June 30, 2013, the Town paid \$6,000 towards retired employees health insurance.

**F. RENTAL INCOME LEASE COMMITMENTS**

The Town leases the Pink Box Building under a lease that expired June 30, 2010. The town extended the lease for an additional five years. The town pays annual rent of \$5,000 and all property taxes, insurance and maintenance costs.

**G. HEALTH CENTER RENTAL INCOME**

The Town had entered into various office space rental income arrangements for space located in the Health Center. The terms and conditions vary. Estimated annual rental income is approximately \$61,000.

**TOWN OF MIDDLEBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**H. SUBSEQUENT EVENTS**

The Town of Middleburg has evaluated events and transactions subsequent to June 30, 2013 through November 14, 2013, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2013 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2013.

## TOWN OF MIDDLEBURG, VIRGINIA

## GENERAL FUND

## SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2013

	2013		Variance Favorable (Unfavorable)
	Final Budget	Actual	
<b>Sources of Revenues</b>			
<b>General Property Taxes</b>			
Real estate taxes	\$ 451,000	\$ 467,528	\$ 16,528
Personal property taxes	27,000	24,252	(2,748)
Penalties and interest	1,000	1,936	936
Total General Property Taxes	479,000	493,716	14,716
<b>Other Local Taxes</b>			
Sales taxes	35,000	31,349	(3,651)
Utility taxes	65,000	60,920	(4,080)
Meals taxes	250,000	250,590	590
Business licenses	220,000	220,028	28
Motor vehicle licenses	12,000	11,062	(938)
Bank stock taxes	275,000	236,470	(38,530)
Consumption tax	45,000	51,255	6,255
Cigarette tax	32,000	26,323	(5,677)
Occupancy tax	40,000	40,964	964
Total Other Local Taxes	974,000	928,961	(45,039)
<b>Zoning Permits, Fees and Licenses</b>	15,000	16,120	1,120
<b>Fines and Forfeitures</b>	35,500	36,376	876
<b>Revenues from Use of Money and Property</b>	500	2,760	2,260
<b>Project Fairness</b>	-	-	-
<b>Municipal Parking</b>			
Lot receipts	3,200	3,479	279
Meter receipts	35,000	20,361	(14,639)
Total Municipal Parking	38,200	23,840	(14,360)

The notes to the financial statements are an integral part of this schedule.

(Continued)

## TOWN OF MIDDLEBURG, VIRGINIA

## GENERAL FUND

## SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2013

	2013		Variance Favorable (Unfavorable)
	Final Budget	Actual	
<b>Miscellaneous Revenue</b>			
Donations	1,500	479	(1,021)
Pink Box sales	100	79	(21)
Reimbursable Professional Fees	8,000	2,518	(5,482)
Miscellaneous	2,800	9,634	6,834
Total miscellaneous revenue	12,400	12,710	310
<b>Intergovernmental</b>			
Transportation enhancement grant	262,000	10,526	(251,474)
Law enforcement apportionment	20,549	20,048	(501)
State Grants	96,000	14,589	(81,411)
Litter grant	-	1,203	1,203
Fire program	8,000	-	(8,000)
Total Intergovernmental	386,549	46,366	(340,183)
Total General Fund Revenues	1,941,149	1,560,849	(380,300)
<b>Other Financing Sources</b>			
Sale of government property	-	2,650	2,650
Total Other Financing Sources	-	2,650	2,650
<b>Total General Fund Revenues and Other Financing</b>	<b>\$ 1,941,149</b>	<b>\$ 1,563,499</b>	<b>\$ (377,650)</b>

**TOWN OF MIDDLEBURG, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013		
	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>General Government</b>			
Administration salaries			
Town administrator	\$ 86,920	\$ 86,961	\$ (41)
Clerk	41,243	41,536	(293)
Treasurer	71,599	72,990	(1,391)
Other wages	-	9,987	(9,987)
Mayor's/Council compensation	6,800	7,876	(1,076)
Payroll taxes and employee benefits	87,004	75,726	11,278
Subtotal	<u>293,566</u>	<u>295,076</u>	<u>(1,510)</u>
Administrative services			
Legal fees	16,000	21,292	(5,292)
Engineering/consulting fees	5,000	-	5,000
Advertising	2,500	2,663	(163)
Accounting & Audit	12,500	12,500	-
Professional development	1,000	916	84
Memberships/publications	2,300	1,620	680
Fire and Rescue	8,000	800	7,200
Insurance	2,800	3,148	(348)
Election	-	21	(21)
Contingency	37,951	327	37,624
Other	2,000	2,015	(15)
Subtotal	<u>90,051</u>	<u>45,302</u>	<u>44,749</u>
Administrative supplies			
Office supplies	4,000	5,596	(1,596)
Printing	2,000	1,783	217
Postage	2,500	2,410	90
Office equipment purchase	9,000	5,213	3,787
Office equipment maintenance	17,500	22,385	(4,885)
Office equipment rental	3,000	1,182	1,818
Middleburg museum	1,000	-	1,000
Other	1,000	1,192	(192)
Subtotal	<u>40,000</u>	<u>39,761</u>	<u>239</u>
Other			
Bond Issuance costs	-	4,625	(4,625)
Interest	7,800	8,601	(801)
Subtotal	<u>7,800</u>	<u>13,226</u>	<u>(5,426)</u>

The notes to the financial statements are an integral part of this schedule.

(Continued)

## TOWN OF MIDDLEBURG, VIRGINIA

## GENERAL FUND

## SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2013

	2013		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Town office			
Electricity	5,000	3,810	1,190
Fuel	800	715	85
Building repairs	7,000	15,735	(8,735)
Grounds and equipment repairs	10,500	11,144	(644)
Supplies	800	794	6
Telephone/internet	7,000	7,796	(796)
Insurance	1,250	1,304	(54)
Other	500	390	110
Subtotal	32,850	41,688	(8,838)
Planning and zoning			
Zoning administrator's salary and fees	\$ 61,833	\$ 61,845	\$ (12)
Payroll taxes and employee benefits	24,932	26,037	(1,105)
Legal fees	14,000	3,550	10,450
Engineering/consulting fees	10,000	4,048	5,952
Advertising	2,000	3,317	(1,317)
Supplies and publications	700	1,344	(644)
Professional development	500	295	205
Other	150	103	47
Subtotal	114,115	100,539	13,576
Economic Development			
Economic development administrator	53,768	53,779	(11)
Payroll taxes and employee benefits	24,055	24,061	(6)
Bluemont concert series	5,000	5,108	(108)
Meeting expenses	200	97	103
Marketing contract	10,000	9,030	970
Program Development & Marketing	9,000	5,268	3,732
LCVA marketing	10,000	10,000	-
Professional development	500	220	280
Christmas in Middleburg	6,000	6,217	(217)
Dues & association membership	700	1,286	(586)
Printing	1,000	-	1,000
Real estate tax - Pink Box	6,400	2,386	4,014
Rent	5,100	5,418	(318)
Supplies and repairs	2,400	4,595	(2,195)
Utilities	2,300	2,387	(87)
Telephone	300	-	300
Other	500	616	(116)
Subtotal	137,223	130,468	6,755
Total General Government	715,605	666,060	49,545

The notes to the financial statements are an integral part of this schedule.

(Continued)

**TOWN OF MIDDLEBURG, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013		Variance Favorable (Unfavorable)
	Final Budget	Actual	
<b>Public Safety</b>			
Police Department			
Police salary	284,605	305,114	(20,509)
Overtime	19,200	7,631	11,569
Payroll taxes and employee benefits	85,320	71,464	13,856
Workers' compensation	8,000	7,969	31
Vehicle fuel	19,000	13,799	5,201
Vehicle maintenance	4,000	4,591	(591)
Telephone	5,100	7,702	(2,602)
Legal fees	1,000	1,056	(56)
Advertising	400	930	(530)
Training	1,000	1,101	(101)
Uniforms	4,000	4,973	(973)
Supplies	7,000	7,170	(170)
Insurance (Auto/Liability)	4,250	4,237	13
Police Professional Insurance	1,600	810	790
Virginia supplemental retirement and life insurance	61,883	66,775	(4,892)
Subscriptions and publications	500	431	69
Equipment rental	100	-	100
Equipment maintenance/service contract	3,500	3,663	(163)
Vehicle Lease	8,400	8,354	46
Capital Outlay	26,300	29,070	(2,770)
Special Events	1,000	2,156	(1,156)
Other	1,000	1,074	(74)
Total Public Safety	547,158	550,070	(2,912)

**TOWN OF MIDDLEBURG, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013		Variance Favorable (Unfavorable)
	Final Budget	Actual	
<b>Public Works</b>			
Street maintenance			
Superintendent	41,563	43,385	(1,822)
Street assistant	12,500	11,039	1,461
Overtime	6,500	6,145	355
Payroll taxes and employee benefits	29,566	30,840	(1,274)
Workers' compensation	950	935	15
Refuse disposal	70,000	67,394	2,606
Vehicle fuel	5,000	1,635	3,365
Vehicle maintenance	500	411	89
Telephone	1,000	1,089	(89)
Electricity	16,000	17,702	(1,702)
Maintenance and repairs	8,000	1,273	6,727
Supplies	5,000	5,476	(476)
Equipment	1,000	676	324
Street cleaning	16,000	16,904	(904)
Landscape maintenance	15,000	23,008	(8,008)
Uniforms	500	-	500
Snow removal	25,000	4,872	20,128
Parking meter purchase/repair	5,500	2,652	2,848
Liberty Street maintenance	5,000	6,740	(1,740)
Municipal parking lot rental	5,500	5,000	
Insurance	3,605	3,600	5
Other	500	577	(77)
Capital outlay, improvements & contingency	420,000	32,217	387,783
Total Public Works	694,184	283,570	410,614
<b>Total expenditures</b>	<b>\$ 1,956,947</b>	<b>\$ 1,499,700</b>	<b>\$ 457,247</b>

The notes to the financial statements are an integral part of this schedule.