

**TOWN OF JONESVILLE, VIRGINIA**  
**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2013**

TOWN OF JONESVILLE, VIRGINIA  
AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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TOWN OF JONESVILLE, VIRGINIA  
AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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TOWN OF JONESVILLE, VIRGINIA

Council Members

Marilyn Humfleet..... Mayor  
Jim Ewing ..... Member  
A.R. Blevins..... Member  
Wayne Maness ..... Member  
Darrell Hines..... Member  
Richard Garret..... Member  
Randy Jones ..... Member

Administration

Amy Willis..... Town Clerk

# Hicok, Fern, Brown & Garcia

## *Certified Public Accountants*

Thomas M. Hicok, CPA, CVA, MAFF  
James H. Fern, CPA, CVA  
David B. Brown, CPA  
Juan J. Garcia, CPA

P.O. Box 821  
West Main Street  
Abingdon, Virginia 24212-0821  
(276) 628-1123  
Fax: (276) 676-3000  
e-mail: [hicokfern&co@firmcpa.com](mailto:hicokfern&co@firmcpa.com)

*Members of American Institute  
of Certified Public Accountants*

*Members of Virginia Society of  
Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

To The Town Council  
Town of Jonesville, Virginia

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Jonesville, 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 basis 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 an opinion 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 Controller 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Hicok, Fern, Brown & Garcia

*Certified Public Accountants*

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Jonesville as of June 30, 2013, and the respective changes in its financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statement, in fiscal year 2013, the Town adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budget comparison information and schedule of pension funding progress 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. Management has omitted 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 historic context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the budget comparison information and the schedule of pension funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Jonesville, Virginia's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is

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Not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements, and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report, dated July 28, 2014, on our consideration of the Town of Jonesville, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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.

  
HICOK, FERN, BROWN & GARCIA  
CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2014

# Hicok, Fern, Brown & Garcia

## *Certified Public Accountants*

Thomas M. Hicok, CPA, CVA, MAFF  
James H. Fern, CPA, CVA  
David B. Brown, CPA  
Juan J. Garcia, CPA

P.O. Box 821  
West Main Street  
Abingdon, Virginia 24212-0821  
(276) 628-1123  
Fax: (276) 676-3000  
e-mail: [hicokfern&co@firmcpa.com](mailto:hicokfern&co@firmcpa.com)

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Certified Public Accountants*

### INDEPENDENTS 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 Jonesville, Virginia

Members of the Town Council:

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Jonesville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Jonesville, Virginia's basic financial statements and have issued our report thereon dated July 28, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Jonesville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Town of Jonesville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Jonesville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,



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or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2013-1 to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and responses, as 2013-2 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Jonesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

The Town of Jonesville's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Town of Jonesville's response, and accordingly, we express no opinion on it.

This report is intended for the information of management, the audit committee and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
HICOK, FERN, BROWN & GARCIA  
CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2014

**TOWN OF JONESVILLE**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

**EXHIBIT 1**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 122,983	\$ 132,203	\$ 255,186
Restricted cash	39,277	52,918	92,195
Receivable, net			
Property taxes	128,259	-	128,259
Other taxes	9,721	-	9,721
Accounts receivable	31,563	68,979	100,542
Grants	-	35,000	35,000
Prepaid and other	798	1,810	2,608
Capital assets, net	811,155	2,281,298	3,092,453
	<u>\$ 1,143,756</u>	<u>\$ 2,572,208</u>	<u>\$ 3,715,964</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 9,198	\$ 68,543	\$ 77,741
Accrued payroll and related liabilities	5,061	6,402	11,463
Accrued interest payable	80	1,007	1,087
Customer security deposits	-	26,381	26,381
Compensated absences	5,282	7,479	12,761
Long-term liabilities:			
Due within one year	20,488	83,131	103,619
Due in more than one year	71,401	731,061	802,462
	<u>111,510</u>	<u>924,004</u>	<u>1,035,514</u>
Total Liabilities			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Revenue	105,941	-	105,941
	<u>105,941</u>	<u>-</u>	<u>105,941</u>
Total Deferred Inflows of Resources			
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	719,266	1,467,106	2,186,372
Restricted	40,075	52,918	92,993
Unrestricted	166,964	128,180	295,144
	<u>926,305</u>	<u>1,648,204</u>	<u>2,574,509</u>
Total Net Position			
Total Liabilities and Net Position	<u>\$ 1,143,756</u>	<u>\$ 2,572,208</u>	<u>\$ 3,715,964</u>

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

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

**EXHIBIT 2**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Government Activities</b>						
General government	\$ 243,591	\$ 49,169	\$ 505	\$ (193,917)	\$ -	\$ (193,917)
Public safety	141,628	20,994	26,075	(94,559)	-	(94,559)
Public works	22,489	-	-	(22,489)	-	(22,489)
Parks, recreation and cultural	36,307	25,507	66,000	55,200	-	55,200
Interest on long term debt	3,206	-	-	(3,206)	-	(3,206)
<b>Total Governmental Activities</b>	<b>447,221</b>	<b>95,670</b>	<b>92,580</b>	<b>(258,971)</b>	<b>-</b>	<b>(258,971)</b>
<b>Business-type Activities</b>						
Water	474,103	475,821	-	-	40,171	40,171
Sewer	107,910	108,019	-	-	109	109
<b>Total Business-Type Activities</b>	<b>582,013</b>	<b>583,840</b>	<b>-</b>	<b>-</b>	<b>40,280</b>	<b>40,280</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,029,234</b>	<b>679,510</b>	<b>92,580</b>	<b>(258,971)</b>	<b>40,280</b>	<b>(218,691)</b>
<b>General revenues</b>						
Property taxes				121,378	-	121,378
Other local taxes				206,946	-	206,946
Permits, privilege fees and regulatory licenses				615	-	615
Unrestricted intergovernmental revenue				-	-	-
Unrestricted investment earnings				-	110	110
Other				6,160	-	6,160
Rental of Town property				4,999	-	4,999
Transfers				64,052	(64,052)	-
Town general revenues and transfers				404,150	(63,942)	340,208
Change in net position				145,179	(23,662)	121,517
<b>PRIOR PERIOD ADJUSTMENT</b>				470,193	(470,193)	-
<b>NET POSITION- JULY 1, 2012</b>				310,933	2,142,059	2,452,992
<b>NET POSITION- JUNE 30, 2013</b>				\$ 926,305	\$ 1,648,204	\$ 2,574,509

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

**TOWN OF JONESVILLE  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2013**

**EXHIBIT 3**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 122,983
Restricted cash	39,277
Taxes receivable	22,318
Other tax receivable	9,721
Accounts receivable	31,563
Prepaid expenses	798
Total Assets	<u>\$ 226,660</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 9,198
Accrued payroll and related liabilities	<u>5,061</u>
Total Liabilities	<u>14,259</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Revenue	<u>22,407</u>
Total Deferred Inflows of Resources	<u>22,407</u>
<b>FUND BALANCES</b>	
Nonspendable	30,798
Restricted	9,277
Committed	18,828
Unassigned	<u>131,091</u>
Total Fund Balances	<u>189,994</u>
Total Liabilities and Fund Balances	<u>\$ 226,660</u>
Total Fund Balances	\$ 189,994
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Land	1,554,343
Buildings and equipment	306,196
Accumulated depreciation	<u>(1,049,384)</u>
	811,155
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds	
	105,941
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds	
	(83,534)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Accrued interest	(79)
Compensated absences	(5,282)
Notes payable	<u>(91,890)</u>
	<u>(97,251)</u>
Net Assets of Governmental Activities	<u>\$ 926,305</u>

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

**TOWN OF JONESVILLE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2013**

**EXHIBIT 4**

	<u>General Fund</u>
<b>REVENUES:</b>	
General property taxes	\$ 115,407
Other local taxes	206,946
Permits, privilege fees and regulatory licenses	615
Fines and forfeitures	7,954
Revenue from use of money and property	4,999
Miscellaneous revenue	6,160
Charges for services	87,716
Intergovernmental	<u>92,580</u>
Total Revenues	<u>522,377</u>
<b>EXPENDITURES:</b>	
General government administration	232,147
Public safety	106,155
Public works	20,662
Parks, recreation and cultural	118,021
Debt service	
Principal Retirement	17,142
Interest	<u>3,430</u>
Total Expenditures	<u>497,557</u>
<b>OTHER FINANCING SOURCES:</b>	
Loan Proceeds	25,000
Transfers	<u>64,052</u>
Total Other Financing Sources	<u>89,052</u>
Excess (Deficiency) of Revenues Over Expenditures	113,872
Prior Period Adjustment	470,193
Fund Balance, July 1, 2012	<u>(394,071)</u>
Fund Balance, June 30, 2013	<u>\$ 189,994</u>

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

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

**EXHIBIT 5**

	<u>General Fund</u>	
<b>Net change in fund balance governmental fund</b>	<b>\$</b>	<b>113,872</b>
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	91,000	
Deprecation expense	<u>(57,899)</u>	33,101
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		5,972
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. Likewise debt proceeds is revenue in the governmental funds, but increase debt in statement of net assets.		
Debt proceeds	(25,000)	
Debt payments	<u>17,142</u>	(7,858)
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not required as expenditures in governmental funds.		
Decrease (increase) in compensated absences	(132)	
Decrease (increase) in accrued interest	<u>224</u>	<u>92</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>145,179</u></b>

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

**TOWN OF JONESVILLE**  
**STATEMENT OF NET POSITION - ENTERPRISE FUND**  
**Year Ended June 30, 2013**

**EXHIBIT 6**

	<u>Combined Water &amp; Sewer Fund</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 132,203	\$ 132,203
Restricted cash	52,918	52,918
Receivables (Net of Allowances for Uncollectibles):		
Accounts	68,979	68,979
Grants	35,000	35,000
Prepaid and other	1,810	1,810
Capital assets, net	<u>2,281,298</u>	<u>2,281,298</u>
 Total Assets	 <u>\$ 2,572,208</u>	 <u>\$ 2,572,208</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 68,543	\$ 68,543
Accrued payroll and related liabilities	6,402	6,402
Accrued interest payable	1,007	1,007
Customer security deposits	26,381	26,381
Compensated absences	7,479	7,479
Long-term liabilities:		
Due within one year	83,131	83,131
Due in more than one year	<u>731,061</u>	<u>731,061</u>
 Total Liabilities	 <u>924,004</u>	 <u>924,004</u>
 <b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,467,106	1,467,106
Restricted	52,918	52,918
Unrestricted	<u>128,180</u>	<u>128,180</u>
 Total Net Position	 <u>1,648,204</u>	 <u>1,648,204</u>
 Total Liabilities and Net Position	 <u>\$ 2,572,208</u>	 <u>\$ 2,572,208</u>

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

**TOWN OF JONESVILLE  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION - ENTERPRISE FUND  
 Year Ended June 30, 2013**

**EXHIBIT 7**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<b>OPERATING REVENUES</b>			
Charge for services	\$ 429,413	\$ 108,019	\$ 537,432
Tank maintenance	30,080	-	30,080
Reconnections and taps	9,281	-	9,281
Penalties	7,047	-	7,047
Total Operating Revenues	<u>475,821</u>	<u>108,019</u>	<u>583,840</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	164,911	-	164,911
Payroll taxes	13,136	-	13,136
Group health and life	28,516	-	28,516
Pension	14,247	-	14,247
Utilities	35,714	-	35,714
Telephone	1,884	-	1,884
Supplies	3,189	-	3,189
Vehicle expense	3,844	-	3,844
Insurance	11,232	-	11,232
Repair and maintenance	37,687	-	37,687
Rent	1,200	-	1,200
Professional services	15,000	-	15,000
Lab and analysis	2,497	-	2,497
Printing	522	-	522
Uniforms	1,057	-	1,057
Postage	2,868	-	2,868
Sewer pump station	-	101,160	101,160
Depreciation	108,367	5,615	113,982
Miscellaneous	1,854	-	1,854
Total Operating Expenses	<u>447,725</u>	<u>106,775</u>	<u>554,500</u>
Operating Income (Loss)	<u>28,096</u>	<u>1,244</u>	<u>29,340</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Grant income	38,453	-	38,453
Interest revenue	110	-	110
Interest expense	<u>(26,378)</u>	<u>(1,135)</u>	<u>(27,513)</u>
Non-Operating Revenues (Expenses), Net	<u>12,185</u>	<u>(1,135)</u>	<u>11,050</u>
Transfers in (out)	(64,052)	-	(64,052)
INCREASE (DECREASE) IN NET POSITION	(23,771)	109	(23,662)
Prior Period Adjustment	(470,193)	-	(470,193)
NET POSITION AT JULY 1, 2012	<u>2,741,761</u>	<u>(599,702)</u>	<u>2,142,059</u>
NET POSITION AT JUNE 30, 2013	<u>\$ 2,247,797</u>	<u>\$ (599,593)</u>	<u>\$ 1,648,204</u>

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



**TOWN OF JONESVILLE  
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
Year Ended June 30, 2013**

**EXHIBIT 8**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<b>OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 470,636	\$ 108,031	578,667
Payments to suppliers	(114,642)	(103,821)	(218,463)
Payments to employees	(217,135)	-	(217,135)
Net cash provided by Operating Activities	<u>138,859</u>	<u>4,210</u>	<u>143,069</u>
<b>NON-CAPITAL FINANCING ACTIVITIES:</b>			
Net operating transfers from/to other funds	<u>(64,052)</u>	<u>-</u>	<u>(64,052)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(64,052)</u>	<u>-</u>	<u>(64,052)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(35,000)	-	(35,000)
Proceeds from grants	38,453	-	38,453
Proceeds from borrowings	-	-	-
Interest paid on bonds	(27,542)	(1,056)	(28,598)
Principal paid on bond maturities and transfers to debt service fund	<u>(71,372)</u>	<u>(8,414)</u>	<u>(79,786)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(95,461)</u>	<u>(9,470)</u>	<u>(104,931)</u>
<b>INVESTING ACTIVITIES:</b>			
Interest revenue	<u>110</u>	<u>-</u>	<u>110</u>
Net Cash Provided (Used) by Investing Activities	<u>110</u>	<u>-</u>	<u>110</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,544)	(5,260)	(25,804)
Cash and Cash Equivalents at Beginning of Year			<u>210,925</u>
Cash and Cash Equivalents at End of Year			<u>\$ 185,121</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 28,096	\$ 1,244	\$ 29,340
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation and Amortization	108,367	5,615	113,982
(Increase) decrease in accounts receivable	(7,289)	12	(7,277)
(Increase) decrease in inventory and prepaids	-	-	-
(Decrease) increase in accounts payable	3,907	(2,661)	1,246
(Decrease) increase in accrued liabilities	3,322	-	3,322
(Decrease) increase in accrued compensated absences	353	-	353
(Decrease) increase in customer deposits	<u>2,103</u>	<u>-</u>	<u>2,103</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 138,859</u>	<u>\$ 4,210</u>	<u>\$ 143,069</u>

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Jonesville, Virginia is incorporated under and has all powers conferred upon towns under the Constitution of Virginia and all other laws of the Commonwealth. The Town is governed by a Mayor and seven (7) councilmen, elected at large. The financial statements of 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 is a summary of the more significant accounting policies:

### A. Reporting Entity

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Town's financial statements include all the Town operations.

### B. Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34)*. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. The Town has implemented the requirements of GASB 34, beginning with the year ended June 30, 2004.

GASB 34 established requirements and the reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes the following components:

*Management's Discussion and Analysis* – GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is comparable to analysis the private sector provides in their annual reports.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Financial Reporting Model (continued)**

*Government-wide financial statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities (i.e., reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter). Government-wide financial statements do not provide information by fund or account group, but distinguish between the Town’s governmental activities, business-type activities and activities of its discretely presented component units on the Statement of Net Position and Statement of Activities. Significantly, the Town’s Statement of Net Position includes both noncurrent assets and non-current liabilities of the Town. Depreciation expense on the Town’s capital assets, including infrastructure, is reflected in the government-wide Statement of Activities.

*Statement of Net Position* – The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. The Town reports all capital assets, including infrastructure, in the government-wide Statement of Net Position and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of the Town are reported in three categories – 1) invested in capital assets, net of related debt; 2) restricted, and 3) unrestricted.

*Statement of Activities* – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Town’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by specific 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. All taxes, and other items not properly included among program revenues, are reported instead as general revenues.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc) which are not otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Financial Reporting Model (continued)**

*Fund Statements* – In addition to the government-wide financial statements, the Town reports fund financial statements which use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the Town's Governmental fund types (i.e., general, and proprietary) are similar to that previously presented in the Town's financial statements. See note 1(c) for further discussion.

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements, as well as the proprietary fund financial statements, report all their activities using the economic resources measurement focus and the accrual basis of accounting. 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.

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 the first type, monies must be expended on 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 second type, monies are virtually unrestricted as to time 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 accrual criteria are met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable 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 Reporting Entity 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.

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 Town's electric, water and wastewater functions

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- C. **Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)**  
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 contribution, 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.

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.

Real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year-end are reflected as deferred revenue. Sales and utility taxes, which are collected by the Commonwealth or utility companies by year-end and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the Town.

Licenses and permits, fines, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received because they are generally not measurable and available. Unbilled accounts receivable are recorded in the Enterprise Funds when earned.

The governmental funds financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net assets (deficit) for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the governmental funds balance sheet. The assets and liability elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the governmental funds statement of revenues, expenditures and changes in fund balances, and the change in net assets for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)**

governmental funds statement of revenues, expenditures and changes in fund balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurements focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the Town's enterprise funds are charges to customers for goods and services. Operating expenses for these funds include the cost of sales and service, administrative expenses and depreciation of capital assets. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The focus of the Reporting Model is on the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds, the operations of which are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

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

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)  
Proprietary Fund Types**

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town reports the following proprietary fund types, all of which are considered *major* funds:

The *Water Fund* accounts for the operations of the Town’s water distribution system. The *Sewer Fund* accounts for the operations of the Town’s wastewater collection system.

**D. Budgets and Budgetary Accounting.**

As set forth in the Town Charter, the Town Council adopts an annual budget for the General Fund and Enterprise Funds. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation is not funded. All annual appropriations lapse at fiscal year-end.

**E. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

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.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/building improvements	40
Utility transmissions lines and mains	20-40
Furniture and equipment	10
Vehicles	5-7

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash Equivalents**

For the purposes of the combined statement of cash flows, the water fund and the sewer fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**G. Total Columns on Combined Statements – Overview**

The total columns on the Combined Statements – Overview are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**H. Fund Equity**

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. The new standard (implemented in 2011) has not affected the total amount reported as fund balance but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The Town of Jonesville, Virginia, evaluated its funds at June 30, 2012 and classified fund balance into the following five categories:

Non-spendable – items that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

Restricted – items that are restricted by external parties such as creditors or imposed by grants, laws or legislation.

Committed – items that have been committed by formal action by the entity’s “highest level of decision making authority”; which the Town of Jonesville, Virginia considers to be the Town Council.

Assigned – items that have been allocated by committee action where the government’s intent is to use the funds for a specific purpose. The Town of Jonesville, Virginia considers this level of authority to the Town Council or any committee granted such authority by the Town Council.

Unassigned – this category is for any balances that have no restrictions placed upon them.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fund Equity (continued)**

The Town's highest decision making level is the Town Council. Action from the Town Council is required to commit or release funds from commitment.

The Town Council has authorized the Mayor to assign fund balance to a specific purpose as approved within the Town's fund balance policy.

The Town considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the Town considers committed fund balance to be spent first, then assigned fund balance and lastly unassigned fund balance.

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet.

**J. Net Position**

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### K. Adoption of Accounting Policies

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board: The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position". The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board: The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources of deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

## NOTE 2 – CASH AND CASH EQUIVALENTS

### Deposits

All cash of the Town and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia*, or covered by federal depository insurance.

### Investments

#### Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Town permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, bankers acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U.S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program

**NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)**

**Investments (continued)**

Investment Policy (continued):

or other authorized Arbitrage Investment Management programs, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Credit Risk:

As required by state statute, the Town requires that commercial paper have a short-term debt rating of no less than “A-1” (or equivalent) from a nationally recognized statistical rating organization.

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

Powell Valley National Bank	100%
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Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all of the Town’s investments are held in the Treasurer’s office in the Town’s name.

The above items are reflected in the financial statements as follows:

	<u>Primary Government</u>
Deposits and investments	
Deposits	\$ 347,381
Investments	-
Total	<u>\$ 347,381</u>
Statement of net assets:	
Cash and cash equivalents	\$ 232,936
Restricted cash and cash equivalents	114,445
Investments	-
Total	<u>\$ 347,381</u>

**NOTE 3 - PROPERTY TAXES RECEIVABLE**

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. The Town of Jonesville bills and collects its own property taxes.

**NOTE 4 – LONG-TERM DEBT**

General Fund

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2013:

	Balance 7/1/2012	Issuances	Retirements	Balance 6/30/2013	Amount Due in One Year
Notes Payable	\$ 84,032	\$ 25,000	\$ 17,143	\$ 91,889	\$ 20,488
Compensated Absences	\$ 5,151	\$ 131	-	\$ 5,282	-
Total	\$ 89,183	\$ 25,131	\$ 17,143	\$ 97,171	\$ 20,488

Annual requirements to amortize notes outstanding as well as related interest are as follows:

Year	Note Payable PVNB		Note Payable PVNB		Total Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 12,241	\$ 2,488	\$ 8,247	\$ 516	\$ 20,488	\$ 3,004
2015	12,708	2,021	8,519	244	21,227	2,265
2016	13,192	1,536	2,883	19	16,075	1,555
2017	13,696	1,033	-	-	13,696	1,033
2018	14,218	511	-	-	14,218	511
2019-2024	6,185	54	-	-	6,185	54
Totals	\$ 72,240	\$ 7,643	\$ 19,649	\$ 779	\$ 91,889	\$ 8,422

Description of Long-Term Obligations:

\$90,709 Note Payable with interest rate of 3.75% dated November 4, 2011; payable in monthly installments (including interest); payable to Powell Valley National Bank

\$ 72,240

\$25,000 Note Payable with interest rate of 3.25% dated October 12, 2012; payable in monthly installments (including interest); payable to Powell Valley National Bank

19,649

Total

\$ 91,889

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

Water and Sewer Fund

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2013:

	Balance 7/1/2012	Issuances	Retirements	Balance 6/30/2013	Amount Due in One Year
Notes Payable	<u>\$ 893,978</u>	<u>\$ -</u>	<u>\$ 79,786</u>	<u>\$ 814,192</u>	<u>\$ 83,131</u>
Compensated Absences	<u>\$ 7,126</u>	<u>\$ 353</u>	<u>\$ -</u>	<u>\$ 7,479</u>	<u>\$ -</u>
Total	<u>\$ 901,104</u>	<u>\$ 353</u>	<u>\$ 79,786</u>	<u>\$ 821,671</u>	<u>\$ 83,131</u>

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**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

Water and Sewer Fund (continued)

Annual requirements to amortize bonds and notes outstanding as well as related interest are as follows:

Year	Sewer Fund Bonds Payable VRA	
	Principal	Interest
2014	\$ 8,667	\$ 881
2015	8,929	619
2016	9,199	349
2017	4,710	71
Totals	<u>\$ 31,505</u>	<u>\$ 1,920</u>

Year	Water Fund Note Payable PVNB		Water Fund Bonds Payable Rural Development	
	Principal	Interest	Principal	Interest
2014	\$ 40,979	\$ 8,329	\$ 12,550	\$ 6,878
2015	42,543	6,766	13,192	6,236
2016	44,166	5,143	13,867	5,561
2017	45,851	3,458	14,576	4,852
2018	47,600	1,709	15,322	4,106
2019-2023	19,326	180	69,707	8,174
2024-2028	-	-	-	-
Totals	<u>\$ 240,465</u>	<u>\$ 25,585</u>	<u>\$ 139,214</u>	<u>\$ 35,807</u>

Year	Water Fund Bonds Payable Rural Development		Water Fund Bonds Payable VRA		Total Business Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 8,021	\$ 9,163	\$ 12,914	\$ -	\$ 83,131	\$ 25,251
2015	8,526	8,658	12,914	-	86,104	22,279
2016	9,063	8,121	12,914	-	89,209	19,174
2017	9,634	7,550	12,914	-	87,685	15,931
2018	10,241	6,943	12,914	-	86,077	12,758
2019-2023	61,735	24,185	64,570	-	215,338	32,539
2024-2028	43,967	4,373	64,570	-	108,537	4,373
2029-2033	-	-	58,111	-	58,111	-
Totals	<u>\$ 151,187</u>	<u>\$ 68,993</u>	<u>\$ 251,821</u>	<u>\$ -</u>	<u>\$ 814,192</u>	<u>\$ 132,305</u>

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

Water and Sewer Fund (continued)

Description of Long-Term Obligation:

	<u>Amount</u>
\$302,292 Note Payable with interest rate of 3.75% dated November 4, 2011; payable in monthly installments (including interest); payable to Powell Valley National Bank	<u>\$ 240,465</u>
<b>TOTAL NOTES PAYABLE</b>	<u><u>\$ 240,465</u></u>
\$140,201 3.0% Sewer Note Payable dated March 1, 2000; payable to Virginia Revolving Loan Fund in semi-annual installments of \$4,774 (including interest); due on December 1st and June 1st of each year outstanding.	\$ 31,505
\$335,000 5.0% Water System Bond dated April 3, 1981 payable to Farmers Home Administration in monthly installments of \$1,619 (including interest); due monthly.	139,214
\$253,000 6.125% Water System Bond dated January 20, 1983 payable to Farmers Home Administration in monthly installments of \$1,432 (including interest); due monthly.	151,187
\$397,560 Water Note Payable dated March 26, 2001; payable to Virginia Resource Authority in sixty (60) installments of \$6,626 (zero interest); due on September 1st of each year.	<u>251,821</u>
<b>TOTAL REVENUE BONDS</b>	<u><u>\$ 573,727</u></u>
<b>TOTAL DEBT</b>	<u><u>\$ 814,192</u></u>

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Town of Jonesville, Virginia  
Notes to Financial Statements  
June 30, 2013

**NOTE 5 – CHANGES IN FIXED ASSETS**

The following is a summary of changes in fixed assets:

<b>Governmental Activities</b>	<b>Balance 7/1/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2013</b>
<b>Capital assets, not depreciated</b>				
Land	\$ 339,198	\$ -	\$ (33,000)	\$ 306,198
Total Capital Assets, not Depreciated	<u>339,198</u>	<u>-</u>	<u>(33,000)</u>	<u>306,198</u>
<b>Capital assets, depreciated</b>				
Equipment	281,561	-	-	281,561
Buildings and improvements	392,397	124,000	-	516,397
Vehicles	456,458	-	-	456,458
Infrastructure	299,927	-	-	299,927
Total Capital Assets, Depreciated	<u>1,430,343</u>	<u>124,000</u>	<u>-</u>	<u>1,554,343</u>
<b>Less accumulated depreciation for</b>				
Equipment	77,202	9,381	-	86,583
Buildings and improvements	309,041	9,445	-	318,486
Vehicles	414,338	35,851	-	450,189
Infrastructure	190,906	3,222	-	194,128
Total accumulated depreciation	<u>991,487</u>	<u>57,899</u>	<u>-</u>	<u>1,049,386</u>
Governmental activities capital assets, net	<u>\$ 778,054</u>	<u>\$ 66,101</u>	<u>\$ (33,000)</u>	<u>\$ 811,155</u>
<b>Business Type Activities</b>				
<b>Capital assets, not depreciated</b>				
Land	\$ 32,905	\$ -	\$ -	\$ 32,905
Total Capital Assets, not Depreciated	<u>32,905</u>	<u>-</u>	<u>-</u>	<u>32,905</u>
<b>Capital assets, depreciated</b>				
Buildings and improvements	3,735,156	35,000	-	3,770,156
Machinery and equipment	338,171	-	-	338,171
Total Capital Assets, Depreciated	<u>4,073,327</u>	<u>35,000</u>	<u>-</u>	<u>4,108,327</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	1,536,074	90,928	-	1,627,002
Machinery and equipment	209,879	23,053	-	232,932
Total Accumulated Depreciation	<u>1,745,953</u>	<u>113,981</u>	<u>-</u>	<u>1,859,934</u>
Total Capital Assets, Depreciated, Net	<u>2,327,374</u>	<u>(78,981)</u>	<u>-</u>	<u>2,248,393</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,360,279</u>	<u>\$ (78,981)</u>	<u>\$ -</u>	<u>\$ 2,281,298</u>



**NOTE 6 – ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The Town calculated its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis:

<b>General Fund:</b>	
Allowance for uncollectible garbage fees	\$ 897
Total General Fund	<u>897</u>
<b>Water Fund:</b>	
Allowance for uncollectible water fee billings	7,676
<b>Sewer Fund:</b>	
Allowance for uncollectible sewer fee billings	1,981
Total Water & Sewer Funds	<u>9,657</u>
TOTAL	<u>\$ 10,554</u>

**NOTE 7 – COMPENSATED ABSENCES**

Employees of the Town are entitled to paid time off for subsequent use or for payment upon termination, death or retirement, for unused vacation and compensatory time. The estimated amount of compensation for vested future absences has been recorded as a liability in the accompanying financial statements. The Town recognizes the cost of paid time off as a salary expense. The balance of accrued compensated absences at June 30, 2013 was \$5,282 for the General Funds and \$7,479 for the Water and Sewer Fund.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

In regard to litigation involving the Town of Jonesville, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**A. 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 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 are vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit at age 65 with 5 years of service credit or age 50 with at least thirty years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.

Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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 five years of service credit or age 50 with at least twenty five years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 average final compensation is the average of the

## **NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

### **A. Plan Description (Continued)**

member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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. The multiplier for plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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 member election the Survivor Option, PLOP or Advanced Pension Option or those retiring with a reduce benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. 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 report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publication/2012-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% of their compensation toward their retirement. All or part of the 5% 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 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 2013 was 9.26% of annual covered payroll.

### **C. Annual Pension Cost**

For fiscal year 2013, the Town's annual pension cost of \$23,073 (\$12,458 for employee portion) was equal to the Town's required and actual contributions. The fiscal year 2013 required

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**C. Annual Pension Cost (Continued)**

contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as of June 30, 2011 included (a) 7.00% investment rate of return, (net of administrative expenses) (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) 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 of Jonesville'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 of Jonesville's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Information for the Town of Jonesville, Virginia			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 23,073	100.00%	\$ -
June 30, 2012	19,296	100.00%	-
June 30, 2011	18,351	100.00%	-

**D. Funding Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date the plan was 81.61% funded. The actuarial accrued liability for benefits was \$883,662 and the actuarial value of assets was \$721,194, resulting in an unfunded actuarial accrued liability (UAAL) of \$162,468. The covered payroll (annual payroll of active employees covered by the plan) was \$94,424 and the ratio of the UAAL to the covered payroll was 55.18%. The schedule of funding progress, presented as Required Supplemental Information following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

During the year, the Town Council approved to forgive the due to/from amounts between the general fund and the water and sewer fund. The amount forgiven was \$470,193.

TOWN OF JONESVILLE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

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

**EXHIBIT 9**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>General Fund</u>	<u>Variance</u>
<b>REVENUES:</b>				
General property taxes	\$ 116,750	\$ 116,750	\$ 115,407	\$ (1,343)
Other local taxes	213,300	213,300	206,946	(6,354)
Permits, privilege fees and regulatory licenses	450	450	615	165
Fines and forfeitures	10,850	10,850	7,954	(2,896)
Revenue from use of money and property	5,155	5,155	4,999	(156)
Miscellaneous revenue	5,425	5,425	6,160	735
Charges for services	85,600	85,600	87,716	2,116
Intergovernmental	93,070	93,070	92,580	(490)
	<u>530,600</u>	<u>530,600</u>	<u>522,377</u>	<u>(8,223)</u>
<b>EXPENDITURES:</b>				
General government administration	235,770	235,770	232,147	(3,623)
Public safety	148,480	148,480	106,155	(42,325)
Public works	28,000	28,000	20,662	(7,338)
Parks, recreation and cultural	95,850	95,850	118,021	22,171
Debt service				
Principal retirement	22,500	22,500	17,142	(5,358)
Interest	-	-	3,430	3,430
	<u>530,600</u>	<u>530,600</u>	<u>497,557</u>	<u>(33,043)</u>
<b>OTHER FINANCING SOURCES:</b>				
Loan Proceeds	-	-	25,000	25,000
Transfers	-	-	64,052	64,052
	<u>-</u>	<u>-</u>	<u>89,052</u>	<u>89,052</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	113,872	113,872
Prior Period Adjustment	-	-	470,193	470,193
Fund Balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>(394,071)</u>	<u>(394,071)</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,994</u>	<u>\$ 189,994</u>

**TOWN OF JONESVILLE**  
**SCHEDULE OF PENSION FUNDING PROGRESS**  
**Year Ended June 30, 2013**

**EXHIBIT 10**

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2012	\$ 721,194	\$ 883,662	\$ 162,468	81.61%	\$ 294,424	55.18%
June 30, 2011	732,787	897,048	164,261	81.69%	265,822	61.79%
June 30, 2010	744,266	753,122	8,856	98.82%	239,739	3.69%



TOWN OF JONESVILLE, VIRGINIA

SUPPORTING SCHEDULES

JUNE 30, 2013

TOWN OF JONESVILLE  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES- BUDGET AND ACTUAL  
 Year Ended June 30, 2013

SCHEDULE 1

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>PRIMARY GOVERNMENT:</b>				
<b>GENERAL FUND:</b>				
<b>General Property Taxes:</b>				
Real property taxes	\$ 102,100	\$ 102,100	\$ 95,224	\$ (6,876)
Personal property taxes	14,000	14,000	18,211	4,211
Penalties and interest	650	650	1,972	1,322
Total General Property Taxes	<u>116,750</u>	<u>116,750</u>	<u>115,407</u>	<u>(1,343)</u>
<b>Other Local Taxes:</b>				
Local sales and use taxes	34,000	34,000	31,955	(2,045)
Utility taxes	33,000	33,000	27,824	(5,176)
Business license tax	2,500	2,500	5,787	
Franchise licenses tax	127,000	127,000	128,571	1,571
Auto Decals/Police fund	15,000	15,000	12,809	(2,191)
Other	1,800	1,800	-	(1,800)
Total Other Local Taxes	<u>213,300</u>	<u>213,300</u>	<u>206,946</u>	<u>(9,641)</u>
<b>Permits, Privilege Fees And Regulatory Licenses:</b>	450	450	615	165
<b>Fines and Forfeitures</b>	<u>10,850</u>	<u>10,850</u>	<u>7,954</u>	<u>(2,896)</u>
<b>Revenue From Use of Money And Property:</b>				
Revenue from use of money	5	5	-	(5)
Revenue from use of property	5,150	5,150	4,999	(151)
Total Revenue From Use of Money and Property	<u>5,155</u>	<u>5,155</u>	<u>4,999</u>	<u>(156)</u>
<b>Miscellaneous Revenue:</b>	<u>5,425</u>	<u>5,425</u>	<u>6,160</u>	<u>735</u>
<b>Charges for Services:</b>				
Garbage collection fees	50,600	50,600	49,169	(1,431)
Fire Services	13,500	13,500	13,040	(460)
Recreation	21,500	21,500	25,507	4,007
Total Charges for Services	<u>85,600</u>	<u>85,600</u>	<u>87,716</u>	<u>2,116</u>
TOTAL LOCAL GOVERNMENT	<u>437,530</u>	<u>437,530</u>	<u>429,797</u>	<u>(7,733)</u>
<b>Revenue From the Commonwealth:</b>				
<b>Categorical Aid:</b>				
State assistance/law enforcement	25,900	25,900	26,075	175
Other grant income	67,170	67,170	66,505	(665)
Total Categorical Aid	<u>93,070</u>	<u>93,070</u>	<u>92,580</u>	<u>(490)</u>
Total Revenue from the Commonwealth	<u>93,070</u>	<u>93,070</u>	<u>92,580</u>	<u>(490)</u>
<b>Other Financing Sources:</b>				
Transfers	-	-	64,052	64,052
Proceeds from long term debt	-	-	25,000	25,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>89,052</u>	<u>89,052</u>
<b>GRAND TOTAL - REVENUES - PRIMARY GOVERNMENT FUND</b>	<u>\$ 530,600</u>	<u>\$ 530,600</u>	<u>\$ 611,429</u>	<u>\$ 80,829</u>

TOWN OF JONESVILLE  
GOVERNMENTAL FUNDS  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

SCHEDULE 2

	Original Budget	Revised Budget	Actual	Variance
<b>PRIMARY GOVERNMENT:</b>				
<b>GENERAL FUND:</b>				
<b>General Government Administration:</b>				
Salaries	\$ 97,000	\$ 97,000	\$ 96,136	\$ 864
Fringe benefits	30,700	30,700	24,717	5,983
Payroll taxes	7,600	7,600	8,204	(604)
Utilities	6,000	6,000	6,492	(492)
Insurance	20,000	20,000	26,374	(6,374)
Supplies	6,150	6,150	5,809	341
Computer expense	4,000	4,000	3,281	719
Office supplies	2,100	2,100	2,028	72
Printing	2,000	2,000	2,513	(513)
Uniforms	1,000	1,000	2,495	(1,495)
Postage	1,200	1,200	840	360
Repair and maintenance	4,900	4,900	2,142	2,758
Fuel	6,000	6,000	4,724	1,276
Telephone	2,400	2,400	2,807	(407)
Legal and accounting fees	15,400	15,400	17,400	(2,000)
Garbage payment	6,500	6,500	7,984	(1,484)
Council fees	14,400	14,400	13,400	1,000
Donations	3,000	3,000	-	3,000
Capital purchases	-	-	-	-
Bad debts	1,000	1,000	-	1,000
Miscellaneous	4,420	4,420	4,801	(381)
Total General Government Administration	<u>235,770</u>	<u>235,770</u>	<u>232,147</u>	<u>3,623</u>
<b>Public Safety:</b>				
Salaries	80,000	80,000	63,472	16,528
Fringe benefits	18,410	18,410	4,087	14,323
Payroll taxes	8,370	8,370	5,788	2,582
Supplies	2,000	2,000	1,849	151
Repair and maintenance	3,000	3,000	1,837	1,163
Gasoline	12,000	12,000	6,050	5,950
Telephone	1,200	1,200	920	280
Legal and accounting fees	1,000	1,000	120	880
Travel	1,600	1,600	1,650	(50)
Line of Duty Act	1,900	1,900	1,897	3
Uniforms	1,000	1,000	647	353
Miscellaneous	4,500	4,500	4,858	(358)
Total Public Safety	<u>134,980</u>	<u>134,980</u>	<u>93,175</u>	<u>41,805</u>
<b>Fire and Rescue Services:</b>				
Volunteer fire department	<u>13,500</u>	<u>13,500</u>	<u>12,980</u>	<u>520</u>
<b>Public Works:</b>				
<b>Maintenance of Highways, Streets, Bridges and Sidewalks:</b>				
Highways, streets, bridges and sidewalks	500	500	436	64
Capital purchases	-	-	-	-
Street Lights	<u>27,500</u>	<u>27,500</u>	<u>20,226</u>	<u>7,274</u>
Total Maintenance of Highways, Streets, Bridges and Sidewalks	<u>28,000</u>	<u>28,000</u>	<u>20,662</u>	<u>7,338</u>

TOWN OF JONESVILLE  
 GOVERNMENTAL FUNDS  
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
 Year Ended June 30, 2013

SCHEDULE 2

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>PRIMARY GOVERNMENT:</u></b>				
<b><u>GENERAL FUND:</u></b>				
<b>Parks, Recreation and Cultural:</b>				
Softball	3,000	3,000	2,685	315
Produce market	250	250	251	(1)
4th of July	6,000	6,000	3,530	2,470
Bikes, BBQ and Bluegrass	2,500	2,500	799	1,701
Lights in the Park	11,800	11,800	15,088	(3,288)
Capital purchases	71,000	71,000	93,819	(22,819)
Miscellaneous	1,300	1,300	1,849	(549)
Total Parks, Recreation and Cultural	<u>95,850</u>	<u>95,850</u>	<u>118,021</u>	<u>(22,171)</u>
<b>Debt Service:</b>				
Principal retirement	22,500	22,500	17,142	5,358
Interest	-	-	3,430	(3,430)
Total Non-Departmental	<u>22,500</u>	<u>22,500</u>	<u>20,572</u>	<u>1,928</u>
<b>GRAND TOTAL - EXPENDITURES- PRIMARY GOVERNMENT FUNDS</b>	<u>\$ 530,600</u>	<u>\$ 530,600</u>	<u>\$ 497,557</u>	<u>\$ 33,043</u>

**TOWN OF JONESVILLE**  
**STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND**  
**Year Ended June 30, 2013**

**SCHEDULE 3**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OPERATING REVENUES</b>			
Charge for services	\$ 542,000	\$ 537,432	\$ (4,568)
Tank maintenance	30,000	30,080	80
Connections	10,000	-	(10,000)
Reconnections	7,500	3,273	(4,227)
Penalties	7,500	7,047	(453)
Tap fees	2,200	6,008	3,808
Interest revenue	35	110	75
Miscellaneous	490	-	(490)
Grants	-	38,453	38,453
Total Operating Revenues	<u>599,725</u>	<u>622,403</u>	<u>22,678</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	156,000	164,911	8,911
Payroll taxes	16,100	13,136	(2,964)
Group health and life	29,250	28,516	(734)
Pension	14,500	14,247	(253)
Utilities	38,000	35,714	(2,286)
Telephone	1,200	1,884	684
Supplies	-	3,189	3,189
Vehicle expense	5,000	3,844	(1,156)
Insurance	20,000	11,232	(8,768)
Repair and maintenance	42,610	37,687	(4,923)
Rent	1,200	1,200	-
Professional services	13,000	15,000	2,000
Lab and analysis	4,700	2,497	(2,203)
Printing	1,250	522	(728)
Uniforms	900	1,057	157
Postage	3,000	2,868	(132)
Sewer pump station	90,000	101,160	11,160
Miscellaneous	4,020	1,854	(2,166)
Bad debt	1,500	-	(1,500)
Debt retirement	80,280	107,299	27,019
Depreciation	45,000	113,982	68,982
Contingencies	32,215	-	(32,215)
Transfers	-	64,052	64,052
Total Operating Expenses	<u>599,725</u>	<u>725,851</u>	<u>126,126</u>
Operating Income (Loss)	<u>\$ -</u>	<u>\$ (103,448)</u>	<u>\$ (103,448)</u>

The above schedule was prepared with debt principal payments as an expense rather than as a reduction of the debt account.

SCHEDULE OF FINDINGS AND RESPONSES

Material Weakness

2013-1 – Internal Controls and Segregation of Duties

Finding:

The Town has one administrative clerk, and at various times, a part time clerk who together perform all bookkeeping functions. The clerks, working together, input the water and sewer readings, prepare the bills, collect the payments and make any adjustments. They also collect all other receipts such as tax collections, etc. The administrative clerk also processes accounts payable and payroll, prepares checks for signature and prepares the bank reconciliations. The administrative clerk does not approve invoices to be paid nor does she sign checks. The Town Mayor and one other council member approve all disbursements at the time of check signing. This lack of segregation of duties and internal control is a material weakness. However, it should be noted the town has employed a consultant who assists with year-end close out and does review bank reconciliations and postings.

Management's Response:

Due to budget constraints of the Town of Jonesville, the Town does not have funds to hire the appropriate number of personnel needed to segregate duties.

Significant Deficiency

2013-2 – Financial Statement Audit

Finding:

The audit for the year ending June 30, 2013 was not ready to be started until July 2014. However, once started there was no delay in obtaining information to complete the audit.

Management's Response:

We are working to have our June 30, 2014 audit prepared in a timely manner.