

TOWN OF STRASBURG, VIRGINIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

# **TOWN OF STRASBURG, VIRGINIA**

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**Annual Financial Report  
For the Fiscal Year Ended June 30, 2014**

# **TOWN OF STRASBURG, VIRGINIA**

Strasburg, Virginia

## **OFFICIALS**

Timothy Taylor, Mayor  
Irene Wilson, Treasurer  
Judson Rex, Town Manager  
Dottie Mullins, Director of Finance

## **TOWN COUNCIL**

Robert B. Baker  
Sarah K. Mauck  
Richard A. Redmon  
Jocelyn Vena

Donald M. Le Vine  
Rich Orndorff, Jr.  
John Hall, Jr.  
Scott E. Terndrup

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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**To the Honorable Members of the Town Council  
Town of Strasburg, Virginia**

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

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

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

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

### ***Auditors' Responsibility***

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-13, 58, 59, and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Strasburg, Virginia's basic financial statements. The statistical tables are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*, and is also not required part of the basic financial statements

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

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2014, on our consideration of the Town of Strasburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Strasburg, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management Discussion and Analysis (MD&A) offers an overview and analysis of the financial activities of the Town of Strasburg for the fiscal year ended June 30, 2014. The information presented here should be considered in conjunction with additional information provided in the Annual Financial Report.

### FINANCIAL HIGHLIGHTS

#### Government-wide Financial Statements

The assets of the Town exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$23,360,912, which equals the total net position of the Town. Of this amount, \$6,124,936 is unrestricted and may be used to meet the Town's future obligations. Of the \$6,124,936 unrestricted net position, \$1,524,614 is related to governmental activities and is undesignated and available for future General Fund expenditures. The \$4,600,322 remaining balance of unrestricted net position is related to business-type activities, which includes the Town's enterprise fund.

The Town's total long-term debt increased by \$2,718,789 from \$15,079,966 as of June 30, 2013 to \$17,798,755 as of June 30, 2014. The increase was mainly due to a construction loan for the Department of Public Works to construct a new facility.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds.

The Town's governmental funds reported revenues and other financing sources in excess of expenditures and other financing uses in the amount of \$879,783 for the fiscal year; with an ending fund equity balance of approximately \$2.3 million of that amount \$69,420 is restricted for proffers and \$699,185 is unspent bond proceeds for the new DPW facility.

The Town's proprietary funds reported a change in the net position of \$2.72 million mainly due to an approved rate increase. These funds will be used to offset expenses for future capital projects.

#### **General Financial Highlights**

The Town anticipates issuing substantial long-term debt in future years for the construction of the wastewater treatment plant upgrade, constructing a new public works facility and other capital improvement projects.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis serves as an introduction to the Town's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

The Town's financial statements present two kinds of statements, each with a different view of the Town's finances. The government-wide financial statements provide both long and short-term information about the Town's overall financial status. The fund financial statements focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data. The statements and notes are followed by required supplementary information that contains more detailed data.

### **Government-wide Financial Statements**

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report the Town's net position and how they have changed during the fiscal year.

The Statement of Net Position and the Statement of Activities report the Town's net position and changes in assets. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial position.

Governmental activities – Most of the Town's basic services are reported here; general government, police, public works, and recreation. Property taxes, and other taxes, finance most of these activities.

Business-type activities – The financial activity of the water, sewer and trash are reported here. The Town charges a fee to customers to help cover all or most of the cost of services provided by these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Town's most significant funds. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has the following two types of funds:

#### Governmental Funds

Governmental funds are used to report most of the Town's basic services. The funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that is available for spending. The governmental funds financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and consequently, the largest of the governmental funds. All other governmental funds, which include special revenue funds, debt service funds, and capital project funds, are collectively referred to as non-major governmental funds.

## Proprietary Funds

Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The Town maintains three proprietary funds. The Town uses enterprise funds to account for its water, sewer and trash.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Town's total assets, liabilities, deferred inflows of resources, and net position on a government-wide basis are summarized below:

**Summary of Statement of Net Position**  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,162	\$ 2,555	\$ 8,675	\$ 6,145	\$ 12,837	\$ 8,700
Capital assets	5,696	4,509	25,317	22,691	31,013	27,200
Total Assets	<u>\$ 9,858</u>	<u>\$ 7,064</u>	<u>\$ 33,992</u>	<u>\$ 28,836</u>	<u>\$ 43,850</u>	<u>\$ 35,900</u>
Long-term debt outstanding	\$ 1,654	\$ 1,019	\$ 16,144	\$ 14,061	\$ 17,798	\$ 15,080
Other liabilities	953	375	937	585	1,890	960
Total Liabilities	<u>\$ 2,607</u>	<u>\$ 1,394</u>	<u>\$ 17,081</u>	<u>\$ 14,646</u>	<u>\$ 19,688</u>	<u>\$ 16,040</u>
Total deferred inflows of resources	\$ 801	\$ 665	\$ -	\$ -	\$ 801	\$ 665
Net Position:						
Net investment in capital assets	\$ 4,856	\$ 3,596	\$ 12,311	\$ 8,726	\$ 17,167	\$ 12,322
Restricted for other purposes	69	68	-	-	69	68
Unrestricted	1,525	1,341	4,600	5,464	6,125	6,805
Total net position	<u><u>\$ 6,450</u></u>	<u><u>\$ 5,005</u></u>	<u><u>\$ 16,911</u></u>	<u><u>\$ 14,190</u></u>	<u><u>\$ 23,361</u></u>	<u><u>\$ 19,195</u></u>

The Town's combined net position increased from \$19 million at June 30, 2013 to \$23 million at June 30, 2014 primarily due to an increase in capital assets in business-type activities. The majority (58 percent) of the Town's net position of governmental activities is invested in capital assets (streets, drainage, constructions in progress, buildings, equipment, etc.) The capital assets are not available for future expenditures since they will not be sold. The Town has a strong financial position with 24 percent of net position in governmental activities unrestricted and available for providing services to the citizens of the Town of Strasburg.

The net position of the Town's business-type activities are \$17 million, an increase of about \$2.7 million from June 30, 2013. The increase is a result of an increase in water and sewer fees. The majority (72 percent) of the net position in the business-type activities is invested in capital assets. The Town uses the unrestricted net position to upgrade water and sewer lines, maintain the water treatment plant and upgrade the wastewater treatment plant.

## Statement of Activities

The Town's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government						
administration	\$ 525,151	\$ (488,702)	\$ -	\$ -	\$ 525,151	\$ (488,702)
Public safety	(1,629,082)	(1,673,683)	-	-	(1,629,082)	(1,673,683)
Public works	(637,436)	(538,296)	-	-	(637,436)	(538,296)
Health and welfare	(9,661)	(9,399)	-	-	(9,661)	(9,399)
Community development	(52,258)	(55,221)	-	-	(52,258)	(55,221)
Parks, recreation and cultural	(154,200)	(119,363)	-	-	(154,200)	(119,363)
Interest on long-term debt	(43,664)	(38,526)	-	-	(43,664)	(38,526)
Total governmental activities	<u>\$ (2,001,150)</u>	<u>\$ (2,923,190)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,001,150)</u>	<u>\$ (2,923,190)</u>
Business-type activities:						
Water Fund	\$ -	\$ -	\$ 1,428,495	\$ 1,038,164	\$ 1,428,495	\$ 1,038,164
Sewer Fund	-	-	1,229,303	1,085,216	1,229,303	1,085,216
Trash Fund	-	-	(21,678)	(8,790)	(21,678)	(8,790)
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,636,120</u>	<u>\$ 2,114,590</u>	<u>\$ 2,636,120</u>	<u>\$ 2,114,590</u>
Total primary government	<u><u>\$ (2,001,150)</u></u>	<u><u>\$ (2,923,190)</u></u>	<u><u>\$ 2,636,120</u></u>	<u><u>\$ 2,114,590</u></u>	<u><u>\$ 634,970</u></u>	<u><u>\$ (808,600)</u></u>
General revenues:						
General property taxes	\$ 1,551,809	\$ 1,408,679	\$ -	\$ -	\$ 1,551,809	\$ 1,408,679
Local sales tax	336,230	338,067	-	-	336,230	338,067
Franchise taxes	120,473	80,662	-	-	120,473	80,662
Business licenses	108,961	102,633	-	-	108,961	102,633
Meals tax	553,157	554,176	-	-	553,157	554,176
Utility tax	62,063	60,111	-	-	62,063	60,111
Motor vehicle licenses	132,468	137,955	-	-	132,468	137,955
Other taxes	351,910	336,494	-	-	351,910	336,494
Grants and contributions not restricted to specific programs	105,884	153,531	-	-	105,884	153,531
Revenue from the use of money and property	65,900	67,610	36,229	31,174	102,129	98,784
Loss on disposal of assets	-	-	-	(3,234)	-	(3,234)
Insurance proceeds	-	-	-	1,625	-	1,625
Miscellaneous	57,458	83,481	48,846	3,150	106,304	86,631
Transfers	-	(29,076)	-	29,076	-	-
Total general revenues and transfers	<u>\$ 3,446,313</u>	<u>\$ 3,294,323</u>	<u>\$ 85,075</u>	<u>\$ 61,791</u>	<u>\$ 3,531,388</u>	<u>\$ 3,356,114</u>
Change in net position	<u>\$ 1,445,163</u>	<u>\$ 371,133</u>	<u>\$ 2,721,195</u>	<u>\$ 2,176,381</u>	<u>\$ 4,166,358</u>	<u>\$ 2,547,514</u>
Net position - beginning	<u>5,004,655</u>	<u>4,633,522</u>	<u>14,189,899</u>	<u>12,013,518</u>	<u>19,194,554</u>	<u>16,647,040</u>
Net position - ending	<u><u>\$ 6,449,818</u></u>	<u><u>\$ 5,004,655</u></u>	<u><u>\$ 16,911,094</u></u>	<u><u>\$ 14,189,899</u></u>	<u><u>\$ 23,360,912</u></u>	<u><u>\$ 19,194,554</u></u>

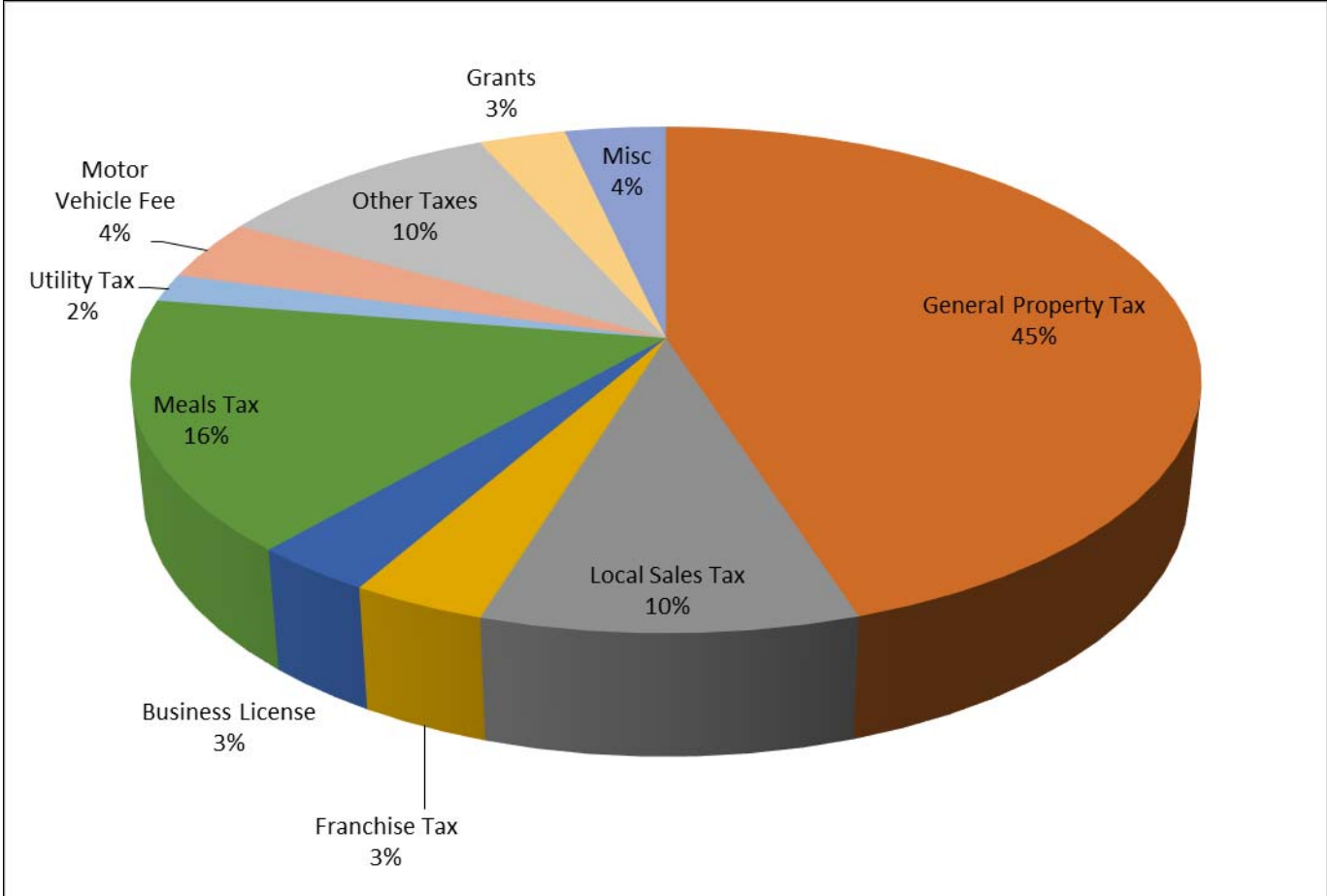
**Governmental Activities**

**Revenues**

For FY 13/14, revenues from governmental activities totaled \$3.4 million. General property taxes and other taxes are the largest component of revenue (93 percent). General property tax revenues were \$1.5 million. The Town received reimbursement of \$138,898 from the Commonwealth of Virginia for taxes on individual automobiles.

Other local taxes and fees including revenue from local sales, franchise tax, business licenses, and meals taxes were \$ 1.6 million, an increase of 2 percent from June 30, 2013 mainly due to an increase in the general property tax. The Town of Strasburg annexed the Industrial Park January 1, 2014, the annexation increased the general property taxes.

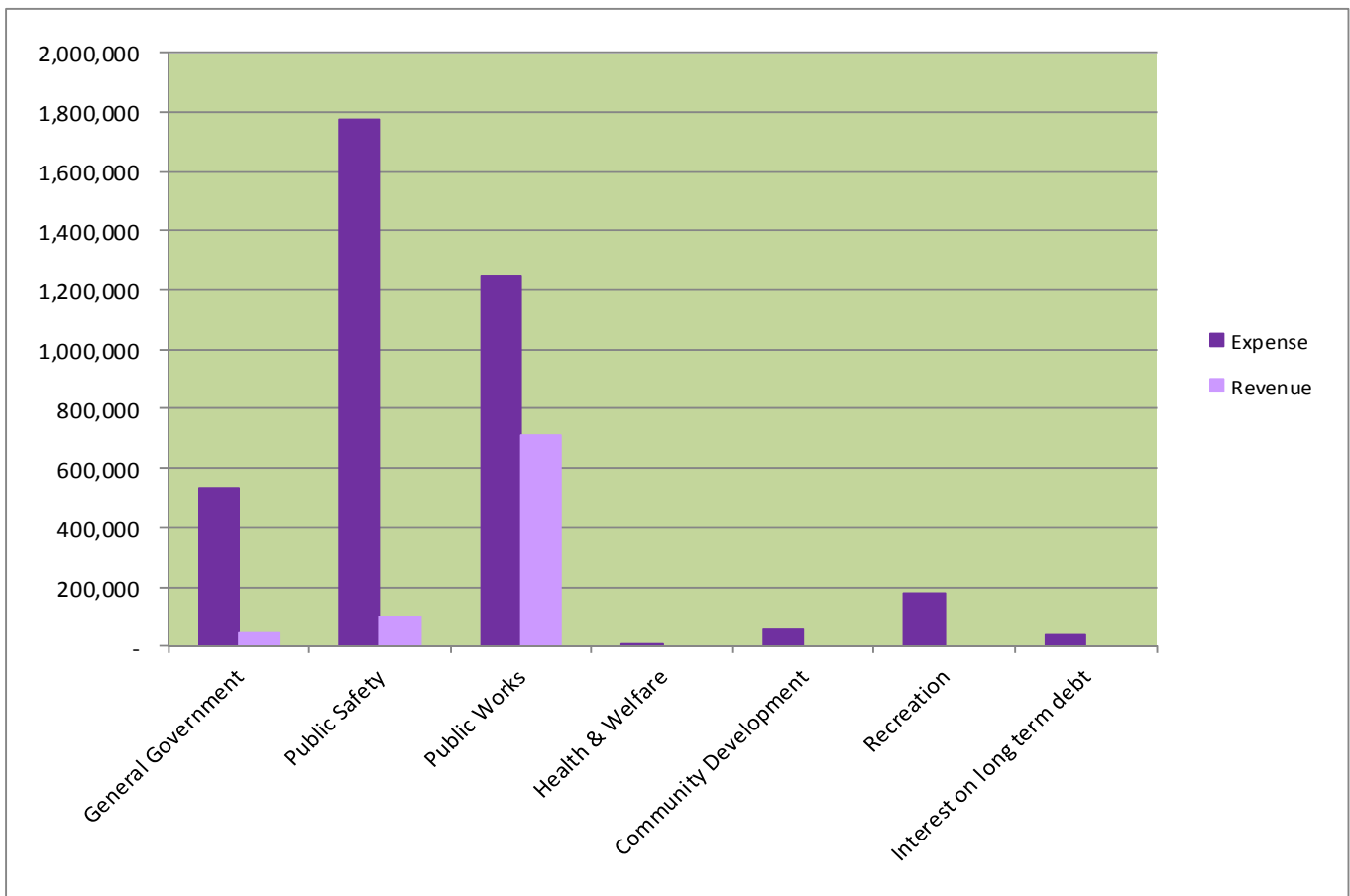
**Revenue by Source-Governmental Activities**



## Expenses

For FY 13/14, expenses for governmental activities totaled \$3.8 million, which was an increase of \$9,500 over the previous year. This increase is mainly due to inflation. The Public Safety and Public Works departments account for 79 percent of the total expenses for governmental activities.

### Program Expenses and Program Revenues – Governmental Activities



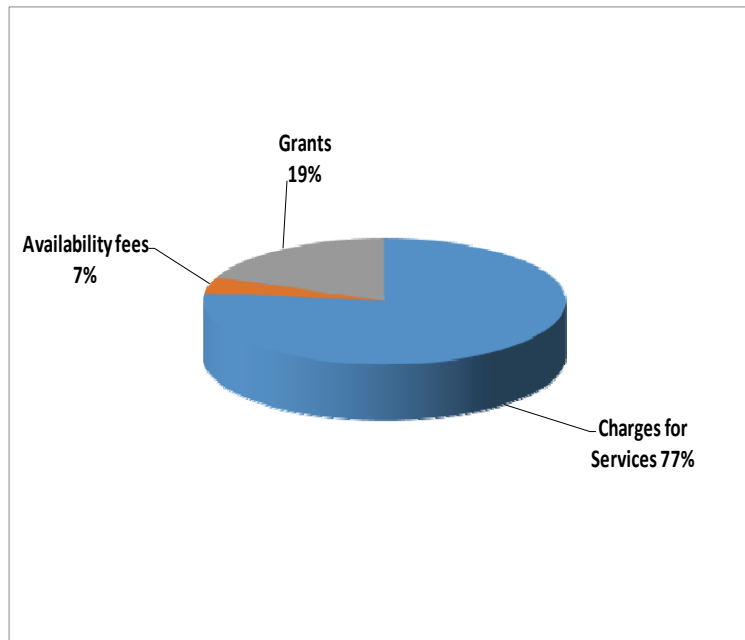
## Business-type Activities

The Town's business-type activities are comprised of enterprise funds for water, sewer, and trash. Net position of these business-type activities increased by \$ 2.7 million, this is mainly due to the completion of a new water treatment plant, grant funds received from Rural Development, and a rate increase.

## Revenues

Revenues for all business-type activities totaled \$ 6.57 million, which is a 15 percent increase over 2013. Charges for services increased as a result of an approved rate increase, due to the start of construction on an upgrade to the waste water treatment plant.

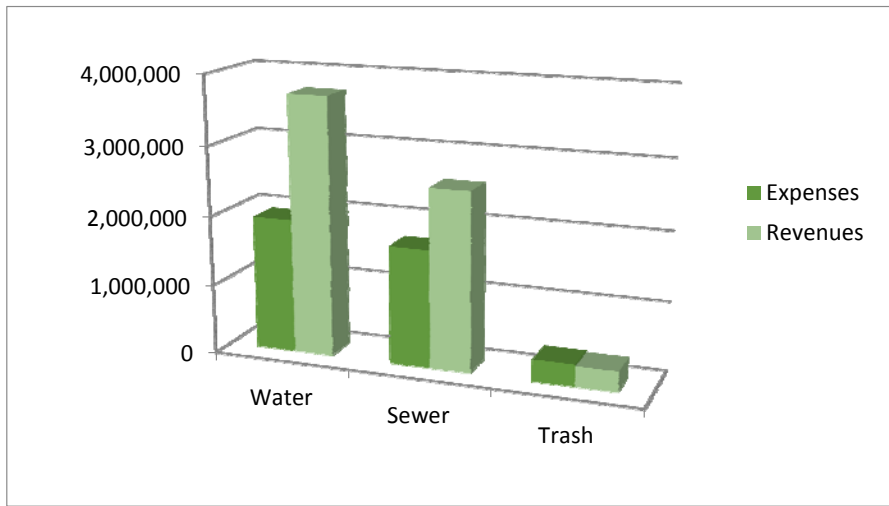
### Revenues by Source - Business-type Activities



**Expenses:**

Expenses totaled \$3.9 million, which was an increase of \$358,000 over FY 13/14. The increase was due to the startup of the construction at the wastewater treatment plant.

**Expenses and Program Revenues – Business-type Activities**



The Town’s Proprietary Funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

**FUND FINANCIAL ANALYSIS**

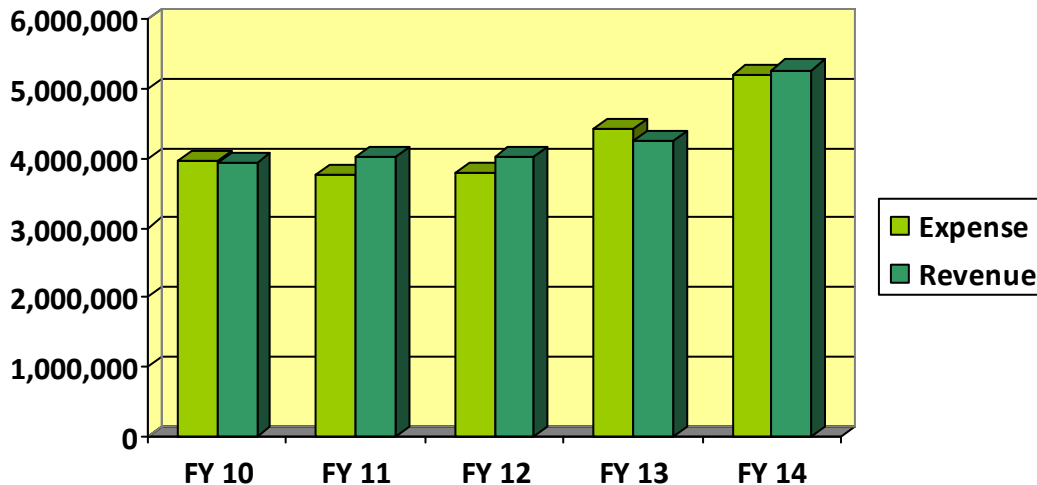
**Governmental Funds**

Governmental Funds include the General Fund of which the unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

**General Fund**

The chief operating fund of the Town is the General Fund. At the end of FY 13/14, the unassigned fund balance was \$1.5 million which represents 39 percent of the General Fund expenditures. The graph below shows General Fund summary financial information for the past five years.

**Five Year General Fund Financial Summary**





**General Fund Budgetary Highlights**

Actual revenue exceeded expenditures by \$61,203 in the General Fund before general obligation bonds issued, proceeds from capital leases and premium on general obligations bonds issued. FY 13/14 actual revenues were approximately \$1 million more than fiscal year 2013 revenues. The main reason for the increase is from federal funds the Town received for the streetscape project. Also the general property tax increased 9% mainly due to the annexation of the industrial park.

FY 13/14 actual expenditures were approximately \$779,000 more than FY 12/13 expenditures. The increase was due primarily to the streetscape project.

**Proprietary Funds**

The Town’s proprietary funds are comprised of water, sewer and trash. The Town accounts for these three proprietary accounts as enterprise funds.

**Water Fund**

The Water Fund ended FY 13/14 with unrestricted net position of \$2,529,567 which can be used for future fund expenses.

**Sewer Fund**

The Sewer Fund ended FY 13/14 with unrestricted net position of \$2,090,785 which can be used for future fund expenses.

**Trash Fund**

Revenue in the Trash Fund in FY 13/14 was supplemented from the General Fund.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

FY 13/14 primary government investment in capital assets for its governmental and business-type activities was \$31 million, net of depreciation (see chart below).

*Capital Assets (net of depreciation in thousands)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 639	\$ 639	\$ 405	\$ 116	\$ 1,044	\$ 755
Buildings and improvements	883	953	68	73	951	1,026
Infrastructure	2,281	2,314	21,106	6,878	23,387	2,314
Furniture, equipment & vehicles	591	537	311	262	902	7,415
Construction in Progress	1,302	65	3,427	15,362	4,729	15,427
Total	\$ 5,696	\$ 4,508	\$ 25,317	\$ 22,691	\$ 31,013	\$ 27,199

Total Capital Assets at June 30, 2014 were \$31 million compared to \$27 million at June 30, 2013, resulting in an increase of approximately \$4 million in the total Capital Assets. The majority of this increase is due to the completion of the water treatment plant

Water and sewer lines continue to make up a majority of the capital assets in the Business-type activity, with streets and roadways in the Government-type activity.

Additional information on the Town’s capital assets may be found in the notes to financial statements.

## Long-term Obligations

The Town's total outstanding obligations at the end of FY 13/14 was \$17.8 million, with \$16.1 million of business-type activities debt supported by the individual funds, resulting in net debt of governmental activities of \$1.6 million. Capital leases and vacation pay are included in outstanding obligations.

### Town of Strasburg Outstanding Obligations June 30, 2014 (In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 1,375	\$ 874	\$ 15,797	\$ 13,954	\$ 17,172	\$ 14,828
Unamortized bond premium	51	-	205	-	256	-
Capital Lease	114	39	41	10	155	49
Compensated Absences	114	106	101	96	215	202
Total	<u>\$ 1,654</u>	<u>\$ 1,019</u>	<u>\$ 16,144</u>	<u>\$ 14,060</u>	<u>\$ 17,798</u>	<u>\$ 15,079</u>

Additional information on the Town's long-term obligations can be found in the notes to the financial statements, Note 9-Long-term Obligations.

## ECONOMIC FACTORS

Growth in the Town is expected to remain slow, which will continue to cause general property and other local taxes to have little growth. Earnings on idle cash continue to remain low.

The Town of Strasburg completed construction on a new water treatment plant and has started construction on an upgrade to the wastewater treatment plant, also the Town is in the design phase for building a new public works facility.

## CONTACT INFORMATION

This financial report is designed to provide a general overview of the Town's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance or Town Manager, Town of Strasburg, PO Box 351, Strasburg, VA 22657

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**Town of Strasburg, Virginia**  
**Statement of Net Position**  
**June 30, 2014**

**Exhibit 1**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,462,703	\$ 4,573,465	\$ 6,036,168
Receivables			
Taxes, net of allowance of \$42,777	903,555	-	903,555
Accounts, net of allowance of \$63,310	67,458	707,798	775,256
Due from other governmental units	914,610	-	914,610
Internal balances	33,037	(33,037)	-
Inventory	11,858	295,476	307,334
Restricted assets:			
Cash and cash equivalents	768,605	3,131,494	3,900,099
Total current assets	<u>\$ 4,161,826</u>	<u>\$ 8,675,196</u>	<u>\$ 12,837,022</u>
Capital assets:			
Nondepreciable:			
Land	\$ 639,469	\$ 404,837	\$ 1,044,306
Construction in progress	1,301,664	3,427,213	4,728,877
Depreciable, net of accumulated depreciation:			
Furniture, equipment, and vehicles	591,354	310,860	902,214
Buildings and improvements	882,733	67,639	950,372
Infrastructure	2,281,273	21,106,064	23,387,337
Total capital assets, net	<u>\$ 5,696,493</u>	<u>\$ 25,316,613</u>	<u>\$ 31,013,106</u>
 Total assets	 <u>\$ 9,858,319</u>	 <u>\$ 33,991,809</u>	 <u>\$ 43,850,128</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 640,669	\$ 761,947	\$ 1,402,616
Contracts and retainage payable	60,580	-	60,580
Other liabilities	74,131	46,811	120,942
Customer deposits	-	93,020	93,020
Accrued interest payable	4,204	34,455	38,659
Unearned revenue-other	173,407	-	173,407
Noncurrent liabilities:			
Due within one year	185,902	451,050	636,952
Due in more than one year	1,468,370	15,693,432	17,161,802
Total liabilities	<u>\$ 2,607,263</u>	<u>\$ 17,080,715</u>	<u>\$ 19,687,978</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	<u>\$ 801,238</u>	<u>\$ -</u>	<u>\$ 801,238</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 4,855,784	\$ 12,310,772	\$ 17,166,556
Restricted for proffers	69,420	-	69,420
Unrestricted	1,524,614	4,600,322	6,124,936
Total net position	<u>\$ 6,449,818</u>	<u>\$ 16,911,094</u>	<u>\$ 23,360,912</u>

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

Town of Strasburg, Virginia  
Statement of Activities  
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 473,961	\$ 45,298	\$ -	\$ 953,814
Public safety	1,870,902	-	241,820	-
Public works	1,181,572	-	532,424	11,712
Health and welfare	9,661	-	-	-
Community development	52,258	-	-	-
Parks, recreation and cultural	211,906	57,706	-	-
Interest on long-term debt	43,664	-	-	-
Total governmental activities	<u>\$ 3,843,924</u>	<u>\$ 103,004</u>	<u>\$ 774,244</u>	<u>\$ 965,526</u>
Business-type activities:				
Water Fund	\$ 1,931,953	\$ 2,497,474	\$ -	\$ 862,974
Sewer Fund	1,692,520	2,562,664	-	359,159
Trash Fund	314,263	292,585	-	-
Total business-type activities	<u>\$ 3,938,736</u>	<u>\$ 5,352,723</u>	<u>\$ -</u>	<u>\$ 1,222,133</u>
Total primary government	<u>\$ 7,782,660</u>	<u>\$ 5,455,727</u>	<u>\$ 774,244</u>	<u>\$ 2,187,659</u>

General revenues:  
General property taxes  
Other local taxes:  
Local sales tax  
Franchise taxes  
Business licenses  
Meals tax  
Utility tax  
Motor vehicle licenses  
Other taxes  
Grants and contributions not restricted to specific programs  
Revenue from the use of money and property  
Miscellaneous  
Total general revenues  
Change in net position  
Net position - beginning  
Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 525,151	\$ -	\$ 525,151
(1,629,082)	-	(1,629,082)
(637,436)	-	(637,436)
(9,661)	-	(9,661)
(52,258)	-	(52,258)
(154,200)	-	(154,200)
(43,664)	-	(43,664)
<u>\$ (2,001,150)</u>	<u>\$ -</u>	<u>\$ (2,001,150)</u>
\$ -	\$ 1,428,495	\$ 1,428,495
-	1,229,303	1,229,303
-	(21,678)	(21,678)
<u>\$ -</u>	<u>\$ 2,636,120</u>	<u>\$ 2,636,120</u>
<u>\$ (2,001,150)</u>	<u>\$ 2,636,120</u>	<u>\$ 634,970</u>
\$ 1,551,809	\$ -	\$ 1,551,809
336,230	-	336,230
120,473	-	120,473
108,961	-	108,961
553,157	-	553,157
62,063	-	62,063
132,468	-	132,468
351,910	-	351,910
105,884	-	105,884
65,900	36,229	102,129
57,458	48,846	106,304
<u>\$ 3,446,313</u>	<u>\$ 85,075</u>	<u>\$ 3,531,388</u>
\$ 1,445,163	\$ 2,721,195	\$ 4,166,358
5,004,655	14,189,899	19,194,554
<u>\$ 6,449,818</u>	<u>\$ 16,911,094</u>	<u>\$ 23,360,912</u>



## **FUND FINANCIAL STATEMENTS**

**Town of Strasburg, Virginia**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2014**

**Exhibit 3**

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,462,703
Receivables:	
Taxes, net of allowance of \$42,777	903,555
Accounts	67,458
Due from other governmental units	914,610
Due from other funds	33,037
Inventory	11,858
Total current assets	<u>\$ 3,393,221</u>
Restricted assets:	
Cash and cash equivalents	<u>\$ 768,605</u>
Total assets	<u><u>\$ 4,161,826</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 640,669
Other liabilities	74,131
Retainage payable	60,580
Unearned revenue - other	173,407
Total liabilities	<u>\$ 948,787</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	\$ 915,688
Total deferred inflows of resources	<u>\$ 915,688</u>
<b>FUND BALANCES</b>	
Nonspendable - inventory	\$ 11,858
Restricted - construction	669,185
Restricted - proffers	69,420
Committed - construction	47,375
Unassigned	1,499,513
Total fund balances	<u>\$ 2,297,351</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,161,826</u></u>

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

**Town of Strasburg, Virginia**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

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**Exhibit 4**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	2,297,351
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,696,493
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.		114,450
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,658,476)</u>
Net position of governmental activities	\$	<u><u>6,449,818</u></u>

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

**Town of Strasburg, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2014**

**Exhibit 5**

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 1,539,495
Other local taxes	1,665,262
Permits, privilege fees, and regulatory licenses	16,316
Fines and forfeitures	28,982
Miscellaneous	57,458
Revenue from the use of money and property	65,900
Charges for services	57,706
Intergovernmental:	
Commonwealth	825,916
Federal	1,019,738
Total revenues	<u>\$ 5,276,773</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 615,777
Public safety	1,799,586
Public works	1,040,866
Health and welfare	9,661
Parks, recreation, and cultural	177,049
Community development	52,258
Capital projects:	
Administrative	1,108,207
Public safety	104,453
Public works	61,362
Parks, recreation, and cultural	10,170
Debt service:	
Principal	191,725
Interest	44,456
Total expenditures	<u>\$ 5,215,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 61,203</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
General obligation bond issued	\$ 663,000
Issuance of capital leases	104,428
Premium on general obligation bond issued	51,152
Total other financing sources (uses)	<u>\$ 818,580</u>
Net change in fund balance	\$ 879,783
Fund balance, beginning of year	1,417,568
Fund balance, end of year	<u><u>\$ 2,297,351</u></u>

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

**Town of Strasburg, Virginia**  
**Reconciliation of Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Fund**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2014**

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**Exhibit 6**

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

Net change in fund balances - total governmental funds	\$ 879,783
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	1,187,530
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.	12,314
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 position. Also, governmental funds report the effect of 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.	(626,855)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(7,609)</u>
Change in net position of governmental activities	<u>\$ 1,445,163</u>

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

**Town of Strasburg, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

**Exhibit 7**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,546,843	\$ 2,026,622	\$ -	\$ 4,573,465
Receivables:				
Accounts, net of allowance for uncollectible accounts \$63,310	307,027	355,212	45,559	707,798
Inventory	138,141	157,335	-	295,476
Total current assets	<u>\$ 2,992,011</u>	<u>\$ 2,539,169</u>	<u>\$ 45,559</u>	<u>\$ 5,576,739</u>
Restricted assets:				
Cash and cash equivalents	\$ 1,612,947	\$ 1,518,547	\$ -	\$ 3,131,494
Total restricted assets	<u>\$ 1,612,947</u>	<u>\$ 1,518,547</u>	<u>\$ -</u>	<u>\$ 3,131,494</u>
Capital assets, net of accumulated depreciation	<u>\$ 16,992,447</u>	<u>\$ 8,324,166</u>	<u>\$ -</u>	<u>\$ 25,316,613</u>
Total assets	<u>\$ 21,597,405</u>	<u>\$ 12,381,882</u>	<u>\$ 45,559</u>	<u>\$ 34,024,846</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 362,927	\$ 366,468	\$ 32,552	\$ 761,947
Accrued wages	23,391	23,420	-	46,811
Due to other funds	-	-	33,037	33,037
General obligation bonds payable current portion	289,234	148,269	-	437,503
Long-term lease and other obligations current portion	6,774	6,773	-	13,547
Customer deposits	93,020	-	-	93,020
Accrued interest payable	28,100	6,355	-	34,455
Total current liabilities	<u>\$ 803,446</u>	<u>\$ 551,285</u>	<u>\$ 65,589</u>	<u>\$ 1,420,320</u>
Noncurrent liabilities:				
Compensated absences	\$ 49,406	\$ 52,141	\$ -	\$ 101,547
General obligation bonds payable	12,595,792	2,968,184	-	15,563,976
Long-term lease and other obligations	13,954	13,955	-	27,909
Total noncurrent liabilities	<u>\$ 12,659,152</u>	<u>\$ 3,034,280</u>	<u>\$ -</u>	<u>\$ 15,693,432</u>
Total liabilities	<u>\$ 13,462,598</u>	<u>\$ 3,585,565</u>	<u>\$ 65,589</u>	<u>\$ 17,113,752</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 5,605,240	\$ 6,705,532	\$ -	\$ 12,310,772
Unrestricted	2,529,567	2,090,785	(20,030)	4,600,322
Total net position	<u>\$ 8,134,807</u>	<u>\$ 8,796,317</u>	<u>\$ (20,030)</u>	<u>\$ 16,911,094</u>

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

Town of Strasburg, Virginia  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014

Exhibit 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Sale of water	\$ 2,444,784	\$ -	\$ -	\$ 2,444,784
Sewer service charges	-	2,509,771	-	2,509,771
Trash collection fees	-	-	292,585	292,585
Late payment charges	52,690	52,893	-	105,583
Miscellaneous	5,534	43,312	-	48,846
Total operating revenues	<u>\$ 2,503,008</u>	<u>\$ 2,605,976</u>	<u>\$ 292,585</u>	<u>\$ 5,401,569</u>
<b>OPERATING EXPENSES</b>				
Water treatment facilities, transmission, and distribution	\$ 399,731	\$ -	\$ -	\$ 399,731
Personnel	930,011	837,825	-	1,767,836
Operation and maintenance	-	608,794	-	608,794
Trash collection	-	-	314,263	314,263
Depreciation	256,972	192,629	-	449,601
Total operating expenses	<u>\$ 1,586,714</u>	<u>\$ 1,639,248</u>	<u>\$ 314,263</u>	<u>\$ 3,540,225</u>
Net operating income (loss)	<u>\$ 916,294</u>	<u>\$ 966,728</u>	<u>\$ (21,678)</u>	<u>\$ 1,861,344</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	\$ 18,350	\$ 17,879	\$ -	\$ 36,229
Bond issuance costs	(30,163)	(30,163)	-	(60,326)
Interest expense	(315,076)	(23,109)	-	(338,185)
Total nonoperating revenues (expenses)	<u>\$ (326,889)</u>	<u>\$ (35,393)</u>	<u>\$ -</u>	<u>\$ (362,282)</u>
Income before contributions and transfers	<u>\$ 589,405</u>	<u>\$ 931,335</u>	<u>\$ (21,678)</u>	<u>\$ 1,499,062</u>
Capital contributions and construction grants	<u>\$ 862,974</u>	<u>\$ 359,159</u>	<u>\$ -</u>	<u>\$ 1,222,133</u>
Change in net position	<u>\$ 1,452,379</u>	<u>\$ 1,290,494</u>	<u>\$ (21,678)</u>	<u>\$ 2,721,195</u>
Net position - beginning	<u>6,682,428</u>	<u>7,505,823</u>	<u>1,648</u>	<u>14,189,899</u>
Net position - ending	<u>\$ 8,134,807</u>	<u>\$ 8,796,317</u>	<u>\$ (20,030)</u>	<u>\$ 16,911,094</u>

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

Town of Strasburg, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

Exhibit 9

	Water Fund	Sewer Fund	Trash Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,543,900	\$ 2,628,739	\$ 292,630	\$ 5,465,269
Payments to suppliers for goods and services	(436,965)	(291,296)	(307,512)	(1,035,773)
Payments to employees for services	(930,840)	(828,688)	-	(1,759,528)
Net cash provided by (used for) operating activities	<u>\$ 1,176,095</u>	<u>\$ 1,508,755</u>	<u>\$ (14,882)</u>	<u>\$ 2,669,968</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	\$ -	\$ -	\$ 14,882	\$ 14,882
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,882</u>	<u>\$ 14,882</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset additions	\$ (1,286,335)	\$ (1,788,913)	\$ -	\$ (3,075,248)
Principal payments on bonds	(293,443)	(1,159,245)	-	(1,452,688)
Principal payments on lease obligations	-	(10,432)	-	(10,432)
Proceeds from indebtedness	1,449,032	2,091,653	-	3,540,685
Interest payments	(312,358)	(19,689)	-	(332,047)
Capital contributions from others	862,974	359,159	-	1,222,133
Bond issuance costs	(30,163)	(30,163)	-	(60,326)
Net cash provided by (used for) capital and related financing activities	<u>\$ 389,707</u>	<u>\$ (557,630)</u>	<u>\$ -</u>	<u>\$ (167,923)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	\$ 18,350	\$ 17,879	\$ -	\$ 36,229
Net cash provided by (used for) investing activities	<u>\$ 18,350</u>	<u>\$ 17,879</u>	<u>\$ -</u>	<u>\$ 36,229</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,584,152	\$ 969,004	\$ -	\$ 2,553,156
Cash and cash equivalents (including restricted) - beginning	2,575,638	2,576,165	-	5,151,803
Cash and cash equivalents (including restricted) - ending	<u>\$ 4,159,790</u>	<u>\$ 3,545,169</u>	<u>\$ -</u>	<u>\$ 7,704,959</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 916,294	\$ 966,728	\$ (21,678)	\$ 1,861,344
Depreciation expense	256,972	192,629	-	449,601
(Increase) decrease in accounts receivable	(22,233)	22,763	45	575
(Increase) decrease in due from other governmental units	49,488	-	-	49,488
(Increase) decrease in inventory	(27,536)	(14,913)	-	(42,449)
Increase (decrease) in customer deposits	13,637	-	-	13,637
Increase (decrease) in accounts payable	224,318	332,411	6,751	563,480
Increase (decrease) in retainage payable	(234,016)	-	-	(234,016)
Increase (decrease) in accrued wages	(191)	2,532	-	2,341
Increase (decrease) in compensated absences	(638)	6,605	-	5,967
Net cash provided by (used for) operating activities	<u>\$ 1,176,095</u>	<u>\$ 1,508,755</u>	<u>\$ (14,882)</u>	<u>\$ 2,669,968</u>
<b>Schedule of non-cash capital and related financing activities:</b>				
Issuance of capital leases	\$ 41,456	\$ -	\$ -	\$ 41,456

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



**TOWN OF STRASBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Town of Strasburg, Virginia, (the “Town”) was chartered as a Town in 1761. The Town is governed by a mayor and an eight-member Town Council, who are elected at large for staggered four-year terms.

**A. Financial Reporting Entity**

The Town of Strasburg, Virginia (the Town) is a municipal corporation governed by an elected mayor and eight-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Blended component units** – There were no blended component units for the Town for the year ended June 30, 2014.

**Discretely Presented Component Units** – There were no discretely presented component units for the Town for the year ended June 30, 2014.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Net 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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.

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 60 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 60 days after year-end are reflected as unavailable or deferred inflows. 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 and reports 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 Funds provide maintenance to the water and sewer lines and pump stations and derives the majority of their revenues through user charges and fees.

The Trash Fund provides trash collection and landfill disposal to the Town and derives the majority of its revenue through user charges.

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**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 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 fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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 for the government are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). 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 nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance  
(continued)**

**3. *Property Taxes***

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Shenandoah Commissioner of Revenue annually on property owned on January 1<sup>st</sup> and July 1<sup>st</sup> for real estate and January 1<sup>st</sup> for personal property. Town Council adopts tax rates in April of each year as a part of the budget process. Real and personal property taxes are levied as of January 1<sup>st</sup> and July 1<sup>st</sup> and are due on June 5<sup>th</sup> and December 5<sup>th</sup> of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 6<sup>th</sup> and June 6<sup>th</sup>. Unpaid real property taxes constitute a lien against the property. The Town bills and collects its own property taxes.

**4. *Allowance for Uncollectible Accounts***

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes amounted to approximately \$42,777 at June 30, 2014 and the allowance for uncollectible water, sewer and trash billings amounted to approximately \$63,310 at June 30, 2014.

**5. *Inventory***

Inventory is valued at cost, using the *first in, first out* method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

**6. *Use of Estimates***

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

**7. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life 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. Interest was not capitalized during the current year.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)**

**7. Capital Assets (continued)**

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

Water plant	50 years
Sewer plant	30-50 years
Reservoir and storage	10-20 years
Lines and meters	10-50 years
Buildings and improvements	20 years
Maintenance building and equipment	30 years
Furniture, equipment and vehicles	5-50 years

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

**8. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**9. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and statement of net position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)**

**10. Fund Equity**

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

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).

In the general fund, the Town strives to maintain an unassigned fund balance to be used to fund unanticipated emergencies of \$1.5 million or 30% of the total general fund operating expenditures.

**11. 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 of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)**

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

In addition to assets, the statement of financial 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 did not have any deferred outflows of resources as of June 30, 2014.

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. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

**13. *Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources, in order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014 (CONTINUED)

**NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds and net position—governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,658,476) difference for the primary government is as follows:

	<b>Primary Government</b>
General obligation bonds payable	\$ (1,374,504)
Accrued interest payable	(4,204)
Capital leases	(114,238)
Premium on bond issue	(51,152)
Compensated absences	(114,378)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (1,658,476)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$1,187,530 difference for the primary government is as follows:

	<b>Primary Government</b>
Capital outlay	\$ 1,428,190
Depreciation expense	(240,660)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,187,530</u>



TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014 (CONTINUED)

**NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:  
 (CONTINUED)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Another element of that reconciliation states that “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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$626,855) difference in the primary government are as follows:

	<b>Primary Government</b>
Debt issued or incurred:	
General obligation bonds issued	\$ (663,000)
Capital lease issuance	(104,428)
Premium on general obligation bonds issued	(51,152)
Principal repayments:	
General obligation debt	\$ 162,722
Capital leases	29,003
Net adjustment to decrease <i>net changes in balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (626,855)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$7,609) difference for the primary government are as follows:

	<b>Primary Government</b>
Compensated absences	\$ (8,401)
Accrued interest	792
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (7,609)</u>

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

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**NOTE 3 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**A. Budgetary Information**

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Council is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, except for the capital expense budget.
8. All budgetary data presented in the accompanying financial statements is the amended budget as of June 30.

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2014, there were no funds in which expenditures exceeded appropriations.

**C. Deficit Fund Equity**

At June 30, 2014, the Trash fund had deficit fund equity in the amount of (\$20,030).

**NOTE 4 — DEPOSITS AND INVESTMENTS:**

**Deposits**

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

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

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**NOTE 4 — DEPOSITS AND INVESTMENTS: (CONTINUED)**

**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), Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

**Custodial Credit Risk (Investments)**

The Town's investments at June 30, 2014 were held by the Town or in the Town's name by the Town's custodial banks.

**Credit Risk of Debt Securities**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's investing activities are managed under the custody of the Town. The Town has not adopted a policy regarding credit risk of debt securities.

The Town had no debt securities investments as of June 30, 2014.

**External Investment Pool**

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

**NOTE 5 — RECEIVABLES:**

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

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 946,332	\$ -	\$ -	\$ -	\$ 946,332
Accounts	67,458	332,802	388,695	49,611	838,566
Gross receivables	\$ 1,013,790	\$ 332,802	\$ 388,695	\$ 49,611	\$ 1,784,898
Less: allowance for uncollectibles	(42,777)	(25,775)	(33,483)	(4,052)	(106,087)
Net total receivables	\$ <u>971,013</u>	\$ <u>307,027</u>	\$ <u>355,212</u>	\$ <u>45,559</u>	\$ <u>1,678,811</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014 (CONTINUED)

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**NOTE 6 — DUE FROM OTHER GOVERNMENTAL UNITS:**

	<b><u>Primary Government</u></b>
Commonwealth of Virginia:	
Communications tax	\$ 7,094
Sales tax	87,073
Fire programs	<u>3,038</u>
Total Commonwealth of Virginia	<u>\$ 97,205</u>
Federal Government:	
Streetscape grant	<u>\$ 817,405</u>
Total	<u><u>\$ 914,610</u></u>

**NOTE 7 — RESTRICTED ASSETS:**

Restricted cash and cash equivalents consists of the following for June 30, 2014:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>Business-type Activities</u></b>			
Utility deposits	\$ 94,400	\$ -	\$ 94,400
Unspent bond proceeds	1,398,370	1,398,370	2,796,740
Reserved for debt service	120,177	120,177	240,354
Totals	<u>\$ 1,612,947</u>	<u>\$ 1,518,547</u>	<u>\$ 3,131,494</u>
<b><u>Governmental Funds</u></b>			
Restricted for proffers	\$ -	\$ -	\$ 69,420
Unspent bond proceeds	-	-	699,185
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,605</u>

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

**NOTE 8 — CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2014.

Governmental Activities

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 639,469	\$ -	\$ -	\$ -	\$ 639,469
Construction in progress	64,791	1,268,563	-	(31,690)	1,301,664
Total capital assets not being depreciated	<u>\$ 704,260</u>	<u>\$ 1,268,563</u>	<u>\$ -</u>	<u>\$ (31,690)</u>	<u>\$ 1,941,133</u>
Other capital assets:					
Buildings and improvements	\$ 1,951,469	\$ -	\$ -	\$ (64,492)	\$ 1,886,977
Furniture, equipment and vehicles	2,574,967	134,023	-	71,814	2,780,804
Infrastructure	3,618,362	25,604	-	24,368	3,668,334
Total other capital assets	<u>\$ 8,144,798</u>	<u>\$ 159,627</u>	<u>\$ -</u>	<u>\$ 31,690</u>	<u>\$ 8,336,115</u>
Accumulated depreciation:					
Buildings and improvements	\$ (997,951)	\$ (48,087)	\$ -	\$ 41,794	\$ (1,004,244)
Furniture, equipment and vehicles	(2,038,340)	(116,146)	-	(34,964)	(2,189,450)
Infrastructure	(1,303,804)	(76,427)	-	(6,830)	(1,387,061)
Total accumulated depreciation	<u>\$ (4,340,095)</u>	<u>\$ (240,660)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,580,755)</u>
Other capital assets, net	<u>\$ 3,804,703</u>	<u>\$ (81,033)</u>	<u>\$ -</u>	<u>\$ 31,690</u>	<u>\$ 3,755,360</u>
Net capital assets	<u><u>\$ 4,508,963</u></u>	<u><u>\$ 1,187,530</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,696,493</u></u>
Depreciation expense was allocated as follows:					
General government administration	\$ 30,765				
Public safety	47,967				
Public works	137,241				
Parks, recreation and cultural	24,687				
Total depreciation expense	<u><u>\$ 240,660</u></u>				

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

**NOTE 8 — CAPITAL ASSETS: (CONTINUED)**

Business-type Activities

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 116,837	\$ 288,000	\$ -	-	\$ 404,837
Construction in progress	15,362,092	2,649,088	(14,583,967)	-	3,427,213
Total capital assets not being depreciated	<u>\$ 15,478,929</u>	<u>\$ 2,937,088</u>	<u>\$ (14,583,967)</u>	<u>\$ -</u>	<u>\$ 3,832,050</u>
Other capital assets:					
Equipment and vehicles	\$ 1,474,010	\$ 105,610	\$ 3,277	-	\$ 1,582,897
Buildings and improvements	259,117	-	-	-	259,117
Infrastructure	13,216,093	32,550	14,580,690	-	27,829,333
Total other capital assets	<u>\$ 14,949,220</u>	<u>\$ 138,160</u>	<u>\$ 14,583,967</u>	<u>\$ -</u>	<u>\$ 29,671,347</u>
Accumulated depreciation:					
Equipment and vehicles	\$ (1,212,220)	\$ (50,703)	\$ (9,114)	-	\$ (1,272,037)
Buildings and improvements	(186,382)	(7,237)	2,141	-	(191,478)
Infrastructure	(6,338,581)	(391,661)	6,973	-	(6,723,269)
Total accumulated depreciation	<u>\$ (7,737,183)</u>	<u>\$ (449,601)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,186,784)</u>
Other capital assets, net	<u>\$ 7,212,037</u>	<u>\$ (311,441)</u>	<u>\$ 14,583,967</u>	<u>\$ -</u>	<u>\$ 21,484,563</u>
Net capital assets	<u><u>\$ 22,690,966</u></u>	<u><u>\$ 2,625,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,316,613</u></u>

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

**NOTE 9 — LONG-TERM OBLIGATIONS:**

**Changes in Long-term Obligations**

The following is a summary of changes in long-term obligations transactions of the Primary Government for the year ended June 30, 2014:

	Balance July 1, 2013	Issuances/ Increases	Retirements	Balance June 30, 2014
<b><u>Governmental activities:</u></b>				
General obligation bonds	\$ 874,226	\$ 663,000	\$ 162,722	\$ 1,374,504
Unamortized bond premium	-	51,152	-	51,152
Capital leases	38,813	104,428	29,003	114,238
Compensated absences	105,977	71,987	63,586	114,378
Total governmental activities	<u>\$ 1,019,016</u>	<u>\$ 890,567</u>	<u>\$ 255,311</u>	<u>\$ 1,654,272</u>
<b><u>Business-type activities:</u></b>				
General obligation/revenue bonds	\$ 13,954,938	\$ 3,294,621	\$ 1,452,688	\$ 15,796,871
Unamortized bond premium	-	204,608	-	204,608
Capital lease	10,432	41,456	10,432	41,456
Compensated absences	95,580	63,315	57,348	101,547
Total business-type activities	<u>\$ 14,060,950</u>	<u>\$ 3,604,000</u>	<u>\$ 1,520,468</u>	<u>\$ 16,144,482</u>
<b>Total</b>	<u><u>\$ 15,079,966</u></u>	<u><u>\$ 4,494,567</u></u>	<u><u>\$ 1,775,779</u></u>	<u><u>\$ 17,798,754</u></u>

Details of long-term obligations:

	Total Amount Due	Amount Due Within One Year
<b>Governmental Activities:</b>		
<b>Capital Leases:</b>		
\$29,462 issued September 24, 2012, due in annual installments of \$10,398 beginning September 24, 2012, through September 24, 2014 for the purchase of a 2013 Ford Interceptor.	\$ 9,810	\$ 9,810
\$104,428 issued October 2, 2013, due in annual installments of \$36,209 beginning October 2, 2014, through October 2, 2016 for the purchase of 3 police vehicles.	<u>104,428</u>	<u>34,121</u>
Total capital leases	<u>\$ 114,238</u>	<u>\$ 43,931</u>

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

**NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long-term obligations: (continued)

	Total Amount Due	Amount Due Within One Year
	<u>          </u>	<u>          </u>
Governmental Activities: (continued)		
General Obligation Bonds:		
Series 2004, \$700,000, refinance of 1991 bonds issued October 26, 2004 payable in monthly installments of \$5,094, through October 2019, with interest at 3.75%.	\$ 299,204	\$ 50,771
Series 2004, \$1,124,800 bonds issued October 26, 2004 payable in varying semi-annual installments, through November 2019, with variable interest rates.	412,300	91,200
Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$663,000 allocated to the general fund, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	<u>663,000</u>	<u>-</u>
Total general obligations bonds	\$ <u>1,374,504</u>	\$ <u>141,971</u>
Unamortized bond premium	\$ <u>51,152</u>	\$ <u>-</u>
Compensated absences	\$ <u>114,378</u>	\$ <u>-</u>
Total governmental activities	\$ <u><u>1,654,272</u></u>	\$ <u><u>185,902</u></u>
Business-type Activities:		
Capital leases:		
\$41,456 issued October 2, 2013, due in annual installments of \$7,188 beginning October 2, 2014, through October 2, 2016 for the purchase of 2 vehicles.	\$ <u>41,456</u>	\$ <u>13,547</u>
Total capital leases	\$ <u><u>41,456</u></u>	\$ <u><u>13,547</u></u>



**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

**NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long-term obligations: (continued)

	Total Amount Due	Amount Due Within One Year
	<u>          </u>	<u>          </u>
Business-type Activities: (continued)		
General obligation bonds:		
Series 2001, \$1,926,000 issued November 2000, payable in semi-annual installments of \$48,150 through September 2022 at 0% interest.	\$ 803,355	\$ 94,701
Series 2004, \$1,835,200 bonds issued October 26, 2004 payable in varying semi-annual installments, through October 2018, with variable interest rates.	672,700	148,800
Series 2009, \$9,000,000 bonds issued October 5, 2008 payable in monthly installments of \$31,860 through October 2049, with interest at 2.625%.	8,592,820	151,007
Series 2009, \$2,554,000 bonds issued October 5, 2008 payable in monthly installments of \$9,042 through October 2049, with interest at 2.625%.	2,433,374	42,995
Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$1,326,000 allocated to both the water and sewer fund, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	2,652,000	-
Series 2014, \$16,392,792 VRA loan issued June 17, 2014 payable in semi-annual installments through June 17, 2042 when the principal is due with interest at 0%. \$642,622 had been drawn down at year-end.	<u>642,622</u>	<u>-</u>
Total general obligation bonds	\$ 15,796,871	\$ 437,503
Unamortized bond premium	<u>\$ 204,608</u>	<u>\$ -</u>
Compensated absences	<u>\$ 101,547</u>	<u>\$ -</u>
Total Business-type Activities	<u><u>\$ 16,144,482</u></u>	<u><u>\$ 451,050</u></u>

The Town has entered in lease agreements for various equipment and vehicles. These leases are being treated as capital leases in accordance with accounting principles general accepted in the United States of America. The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Machinery and equipment	\$ 139,150	\$ 41,456
Accumulated depreciaton	<u>(19,477)</u>	<u>(4,146)</u>
Total	<u><u>\$ 119,673</u></u>	<u><u>\$ 37,310</u></u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

**NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)**

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, were as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2015	\$ 46,607	\$ 14,377
2016	36,209	14,377
2017	36,214	14,376
Total minimum lease payments	\$ 119,030	\$ 43,130
Less: amount representing interest	(4,792)	(1,674)
Present value of minimum lease payments	<u>\$ 114,238</u>	<u>\$ 41,456</u>

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

Years Ending June 30,	Governmental Activities				Total	
	Capital Leases		General Obligation Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	\$ 43,931	\$ 2,677	\$ 141,971	\$ 50,286	\$ 185,902	\$ 52,963
2016	34,803	1,406	150,708	46,109	185,511	47,515
2017	35,504	800	157,519	39,933	193,023	40,733
2018	-	-	162,507	33,465	162,507	33,465
2019	-	-	167,574	26,708	167,574	26,708
2020	-	-	51,225	22,117	51,225	22,117
2021	-	-	27,000	20,958	27,000	20,958
2022	-	-	28,000	19,924	28,000	19,924
2023	-	-	29,000	18,743	29,000	18,743
2024	-	-	30,000	17,421	30,000	17,421
2025	-	-	31,000	16,053	31,000	16,053
2026	-	-	33,000	14,503	33,000	14,503
2027	-	-	35,000	12,861	35,000	12,861
2028	-	-	36,000	11,196	36,000	11,196
2029	-	-	38,000	9,780	38,000	9,780
2030	-	-	39,000	8,569	39,000	8,569
2031	-	-	40,000	7,278	40,000	7,278
2032	-	-	42,000	5,858	42,000	5,858
2033	-	-	43,000	4,304	43,000	4,304
2034	-	-	45,000	2,639	45,000	2,639
2035	-	-	47,000	891	47,000	891
Total	<u>\$ 114,238</u>	<u>\$ 4,883</u>	<u>\$ 1,374,504</u>	<u>\$ 389,595</u>	<u>\$ 1,488,742</u>	<u>\$ 394,478</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014 (CONTINUED)

**NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)**

Annual requirements to amortize long-term debt and related interest are as follows: (continued)

Years Ending June 30,	Business-type Activities Debt				Total	
	General Obligation Bonds		Capital Lease		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	\$ 437,503	\$ 410,928	\$ 13,547	\$ 829	\$ 451,050	\$ 411,757
2016	505,856	404,755	13,818	558	519,675	405,313
2017	534,200	390,732	14,090	286	548,290	391,018
2018	559,584	375,668	-	-	559,584	375,668
2019	572,260	359,807	-	-	572,260	359,807
2020	445,585	347,422	-	-	445,585	347,422
2021	455,461	337,893	-	-	455,461	337,893
2022	465,493	327,723	-	-	465,493	327,723
2023	426,737	316,808	-	-	426,737	316,808
2024	391,343	305,163	-	-	391,343	305,163
2025	401,869	293,164	-	-	401,869	293,164
2026	416,569	280,265	-	-	416,569	280,265
2027	431,446	266,817	-	-	431,446	266,817
2028	442,506	253,100	-	-	442,506	253,100
2029	457,754	240,187	-	-	457,754	240,187
2030	469,195	227,904	-	-	469,195	227,904
2031	480,833	215,098	-	-	480,833	215,098
2032	496,674	201,577	-	-	496,674	201,577
2033	508,723	187,313	-	-	508,723	187,313
2034	524,986	172,392	-	-	524,986	172,392
2035	541,469	156,920	-	-	541,469	156,920
2036	362,177	144,644	-	-	362,177	144,644
2037	371,116	135,705	-	-	371,116	135,705
2038	380,293	126,528	-	-	380,293	126,528
2039	389,714	117,107	-	-	389,714	117,107
2040	399,385	107,436	-	-	399,385	107,436
2041	409,313	97,508	-	-	409,313	97,508
2042	406,652	87,316	-	-	406,652	87,316
2043	404,262	76,854	-	-	404,262	76,854
2044	415,003	66,113	-	-	415,003	66,113
2045	426,029	55,087	-	-	426,029	55,087
2046	437,348	43,768	-	-	437,348	43,768
2047	448,967	32,149	-	-	448,967	32,149
2048	460,895	20,221	-	-	460,895	20,221
2049	473,140	7,976	-	-	473,140	7,976
2050	46,530	135	-	-	46,530	135
Total	\$ 15,796,871	\$ 7,190,183	\$ 41,456	\$ 1,673	\$ 15,838,326	\$ 7,191,856

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 10 — PENSION PLAN:**

**A. Plan Description**

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

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

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

**VRS – PLAN 1**

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

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

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

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

- 4. Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

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

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

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

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

**14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

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

**15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

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

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

**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

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

**VRS – PLAN 2**

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

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

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

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

- 4. Retirement Contributions** – Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** – Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** – Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** – Same as VRS Plan 1—Refer to Section 7.
- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**VRS – PLAN 2 (CONTINUED)**

9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. **Normal Retirement Age** - Normal Social Security retirement age.

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

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

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

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

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

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

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

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

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

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



**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN**

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
  
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
  
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
  - Members of the State Police Officers’ Retirement System (SPORS)
  - Members of the Virginia Law Officers’ Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

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

**5. Creditable Service**

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

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

**6. Vesting**

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

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

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

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

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

Distribution is not required by law until age 70½.

**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

**7. Calculating the Benefit**

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

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

**8. Average Final Compensation** – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

**9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

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

**10. Normal Retirement Age**

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

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

**11. Earliest Unreduced Retirement Eligibility**

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

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

**12. Earliest Reduced Retirement Eligibility**

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

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

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 10 — PENSION PLAN: (CONTINUED)**

**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

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

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

Defined Contribution Component – Not Applicable.

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

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

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

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

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

**17. Purchase of Prior Service**

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

Defined Contribution Component – Not Applicable.

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

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 10 — PENSION PLAN: (CONTINUED)**

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 9.25% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2014, Town's annual pension cost of \$243,570 was equal to the Town's required and actual contributions.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 243,570	100.00%	-
June 30, 2013	323,688	100.00%	-
June 30, 2012	292,351	100.00%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

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**NOTE 10 — PENSION PLAN: (CONTINUED)**

**D. Funding Status and Progress**

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 89.96% funded. The actuarial accrued liability for benefits was \$7,560,508, and the actuarial value of assets was \$6,801,380, resulting in an unfunded actuarial accrued liability (UAAL) of \$759,128. The covered payroll (annual payroll of active employees covered by the plan) was \$2,406,843 and ratio of the UAAL to the covered payroll was 31.54%.

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

**NOTE 11 — OTHER POST-EMPLOYMENT BENEFITS:**

**Plan Description**

The Town participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the Town, who retires under VRS with at least 15 years of total creditable service under the system and is enrolled in a health insurance plan, is eligible to receive a monthly credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 10.

**Funding Policy**

The employer is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 0.17% of annual covered payroll.

**Annual OPEB Cost and Net OPEB Obligation**

The annual cost of other postemployment benefits (OPEB) under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The Town is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

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**NOTE 11 — OTHER POST-EMPLOYMENT BENEFITS: (Continued)**

For 2014, the Town's contribution of \$4,476 was equal to the ARC and OPEB cost. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 4,476	100.00%	\$ -
June 30, 2013	4,223	100.00%	-
June 30, 2012	4,269	100.00%	-

**Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 85.47% funded. The actuarial accrued liability for benefits was \$56,222, and the actuarial value of assets was \$48,053, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,169. The covered payroll (annual payroll of active employees covered by the plan) was \$2,406,843, and ratio of the UAAL to the covered payroll was 0.34%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**Actuarial Methods and Assumptions**

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7% investment rate of return, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2012 was 29 years.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)

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**NOTE 11 — OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)**

**Actuarial Methods and Assumptions (Continued)**

*Measurement of Actuarial Information*

The Town has elected to calculate information of an actuarial nature using the alternative measurement method permitted by GASB 43, for plans with fewer than 100 participants.

The following simplifying assumptions were made:

*Retirement age for active employees* – Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

*Mortality* – Life expectancies were based on the mortality tables provided by GASB Post Employment Benefit Plans Other Than Pension Plans – Defined Benefit – Po50.136 Tables 1 and 2.

*Coverage Elections* – It was assumed that for those employees currently on the Commission’s health insurance plan that they would continue it into retirement (if eligible).

Interest Assumptions

Funding interest rate	7.00%
Annual amortization increase rate	2.50%

**NOTE 12 — SURETY BONDS:**

	<u>Amount</u>
VML Insurance - Surety	
Public Employees Blanket Bond	\$ <u>550,000</u>

**NOTE 13 — RISK MANAGEMENT:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers’ compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

The Town is a member of the Virginia Municipal Group Self Insurance Association for workers’ compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Municipal Group contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.



**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

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**NOTE 14 — CONTINGENCIES:**

The Town is obligated to the Shenandoah County School Board under an agreement dated September 4, 1973, whereby the Town has agreed to pay to the School Board \$200 for each water and sewer connection made to the primary school water and sewer lines until such time as seventy-percent of their investment is realized. The agreement does not state the method of determining the School Board's investment nor the duration of the agreement.

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

Under an agreement dated August 27, 1996 the Town is obligated to reimburse a developer for availability fees collected for connections to a sewer line paid for by the developer. The reimbursement shall not, in the aggregate, exceed \$250,000.

**NOTE 15 — INTERFUND RECEIVABLE AND PAYABLES:**

The Town had the following receivable or payable balances between the governmental and proprietary type funds at June 30, 2014.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds	\$ 33,037	\$ -
Proprietary Funds	-	33,037
Total	<u>\$ 33,037</u>	<u>\$ 33,037</u>

**NOTE 16 — DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:**

Deferred and unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide financial statements and fund financial statements totaling \$801,238 and \$915,688 respectively is comprised of the following:

- A. Prepaid Property Taxes -Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$26,618 at June 30, 2014.
- B. Unbilled Property Taxes – Property taxes for the second half of 2014 that had not been billed as of June 30, 2014 amounted to \$774,620.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$114,450.
- D. Unearned Revenue – VDOT carryover – unearned revenue representing VDOT highway maintenance funds not available to fund current expenditures totaled \$173,407.

**TOWN OF STRASBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 (CONTINUED)**

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**NOTE 17 — COMMITMENTS:**

The Town had the following material contracts outstanding at June 30, 2014:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Amount Spent to Date</u>	<u>Amount of Contract Remaining at Year End</u>
WWTP Construction and Expansion	\$ 24,582,500	\$ 1,154,700	\$ 23,427,800
Total	\$ <u>24,582,500</u>	\$ <u>1,154,700</u>	\$ <u>23,427,800</u>

**NOTE 18 — LITIGATION:**

At June 30, 2014, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

**NOTE 19 — UPCOMING PRONOUNCEMENTS:**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town believes the implementation of Statement No. 68 will significantly impact the Town's net position; however, no formal study or estimate of the impact of this standard has been performed.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## General Fund

## Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 1,701,093	\$ 1,701,093	\$ 1,539,495	\$ (161,598)
Other local taxes	1,559,150	1,559,150	1,665,262	106,112
Permits, privilege fees, and regulatory licenses	12,500	12,500	16,316	3,816
Fines and forfeitures	35,000	35,000	28,982	(6,018)
Revenue from the use of money and property	73,000	73,000	65,900	(7,100)
Charges for services	81,355	81,355	57,706	(23,649)
Miscellaneous	64,100	64,100	57,458	(6,642)
Intergovernmental:				
Commonwealth	604,792	604,792	825,916	221,124
Federal	-	-	1,019,738	1,019,738
Total revenues	<u>\$ 4,130,990</u>	<u>\$ 4,130,990</u>	<u>\$ 5,276,773</u>	<u>\$ 1,145,783</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 610,265	\$ 610,265	\$ 615,777	\$ (5,512)
Public safety	1,766,295	1,762,395	1,799,586	(37,191)
Public works	1,097,055	1,097,055	1,040,866	56,189
Health and welfare	-	-	9,661	(9,661)
Parks, recreation and cultural	184,570	184,570	177,049	7,521
Community development	54,700	54,700	52,258	2,442
Capital outlay:				
Administrative	127,375	127,375	1,108,207	(980,832)
Public safety	75,000	104,430	104,453	(23)
Public Works	-	-	61,362	(61,362)
Parks, recreation and cultural	10,000	10,000	10,170	(170)
Debt service:				
Principal	236,274	240,174	191,725	48,449
Interest	44,456	44,456	44,456	-
Total expenditures	<u>\$ 4,205,990</u>	<u>\$ 4,235,420</u>	<u>\$ 5,215,570</u>	<u>\$ (980,150)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (75,000)</u>	<u>\$ (104,430)</u>	<u>\$ 61,203</u>	<u>\$ 165,633</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
General obligation bond issued	\$ -	\$ -	\$ 663,000	\$ 663,000
Issuance of capital leases	75,000	104,430	104,428	(2)
Premium on general obligation bond issued	-	-	51,152	51,152
Total other financing sources and uses	<u>\$ 75,000</u>	<u>\$ 104,430</u>	<u>\$ 818,580</u>	<u>\$ 714,150</u>
Net change in fund balances	\$ -	\$ -	\$ 879,783	\$ 879,783
Fund balances - beginning	-	-	1,417,568	1,417,568
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,297,351</u>	<u>\$ 2,297,351</u>

Town of Strasburg, Virginia  
 Schedule of Pension Funding Progress  
 June 30, 2014

Exhibit 11

Town Retirement Plan

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 % of Covered Payroll ( (b-a)/c )
06/30/13	\$ 6,801,380	\$ 7,560,508	\$ 759,128	89.96%	\$ 2,406,843	31.54%
06/30/12	6,339,939	7,439,387	1,099,448	85.22%	2,343,436	46.92%
06/30/11	6,208,251	6,973,415	765,164	89.03%	2,551,778	29.99%

Town of Strasburg, Virginia  
 Schedule of OPEB Funding Progress - VRS Health Insurance Credit Program  
 June 30, 2014

Exhibit 12

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 % of Covered Payroll ( (b-a)/c )
06/30/13	\$ 48,053	\$ 56,222	\$ 8,169	85.47%	\$ 2,406,843	0.34%
06/30/12	40,284	54,100	13,816	74.46%	2,343,436	0.59%
06/30/11	36,452	54,658	18,206	66.69%	2,551,778	0.71%

## **STATISTICAL TABLES**

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**Town of Strasburg, Virginia**  
**Government-wide Expenses by Function**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation, and Cultural</u>	<u>Health and Welfare</u>	<u>Community Development</u>
2013-14	\$ 473,961	\$ 1,870,902	\$ 1,181,572	\$ 211,906	\$ 9,661	\$ 52,258
2012-13	532,547	1,773,475	1,247,980	177,249	9,399	55,221
2011-12	(1) 505,436	1,723,170	1,210,481	179,400	9,272	40,116
2010-11	662,672	1,623,621	1,148,847	43,115	7,305	27,500
2009-10	684,734	1,670,107	1,409,366	33,150	6,971	35,085
2008-09	558,230	1,668,255	1,276,394	37,984	-	16,352
2007-08	619,959	1,574,469	1,271,651	41,378	-	28,697
2006-07	486,375	1,481,260	1,639,106	37,718	-	33,024
2005-06	449,250	1,220,144	1,019,816	36,844	-	23,490
2004-05	367,584	1,061,495	1,057,369	34,394	-	31,285

(1) The recreation fund was closed in fiscal year 2012 and activity is now reported in the general fund

**Table 1**

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<u>Interest on Long- term Debt</u>	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Recreation</u>	<u>Total</u>
\$ 43,664	\$ 1,931,953	\$ 1,692,520	\$ 314,263	\$ -	\$ 7,782,660
38,526	1,725,249	1,554,539	301,194	-	7,415,379
45,836	1,437,482	1,547,325	295,362	-	6,993,880
52,218	1,897,287	1,406,216	301,737	146,956	7,317,474
64,539	1,570,493	1,557,148	321,645	162,475	7,515,713
72,991	1,538,738	1,508,449	237,830	154,290	7,069,513
81,543	1,412,641	1,493,954	204,149	167,320	6,895,761
94,341	1,338,398	1,367,215	177,223	126,550	6,781,210
94,298	1,163,033	1,150,540	154,636	121,542	5,433,593
142,988	1,202,472	1,127,117	147,727	109,683	5,282,114

**Town of Strasburg, Virginia**  
**Government-wide Revenues**  
**Last Ten Fiscal Years**

Fiscal Year	PROGRAM REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2013-14	\$ 5,455,727	\$ 774,244	\$ 2,187,659
2012-13	5,374,095	99,792	1,132,892
2011-12	(1) 4,716,323	99,792	1,550,467
2010-11	3,972,733	103,424	1,035,935
2009-10	3,572,264	104,652	806,897
2008-09	3,183,282	114,186	1,034,438
2007-08	2,913,871	118,645	1,764,141
2006-07	2,463,080	118,020	1,333,523
2005-06	2,209,053	113,800	1,034,085
2004-05	1,976,301	112,483	1,715,695

(1) The recreation fund was closed in fiscal year 2012 and activity is now reported in the general fund

Table 2

GENERAL REVENUES					
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Mis- cellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 1,551,809	\$ 1,665,262	\$ 102,129	\$ 106,304	\$ 105,884	\$ 11,949,018
1,408,679	1,610,098	98,784	85,022	153,531	9,962,893
1,401,461	1,523,533	113,843	97,066	206,826	9,709,311
1,494,641	1,496,970	114,722	80,493	218,961	8,517,879
1,425,274	1,445,993	118,392	237,937	174,125	7,885,534
1,340,095	1,519,691	129,314	64,409	182,912	7,568,327
1,687,773	1,512,217	64,685	106,001	30,045	8,197,378
1,431,693	1,348,759	144,228	63,400	12,013	6,914,716
1,253,388	1,434,673	108,373	102,263	19,941	6,275,576
1,226,085	1,083,472	45,433	69,046	18,004	6,246,519

**Town of Strasburg, Virginia**  
**General Governmental Expenditures by Function (1)**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>General Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation, and Cultural</u>	<u>Health and Welfare</u>	<u>Community Development</u>
2013-14	\$ 1,723,984	\$ 1,904,039	\$ 1,102,228	\$ 187,219	\$ 9,661	\$ 52,258
2012-13	(2) 606,615	1,761,297	1,577,705	160,335	9,399	55,221
2011-12	512,375	1,705,800	1,058,820	174,114	9,272	40,116
2010-11	735,357	1,678,911	982,633	43,115	7,305	27,500
2009-10	652,316	1,637,784	1,238,459	33,150	6,971	35,085
2008-09	691,506	1,634,834	1,078,850	37,984	-	16,352
2007-08	579,956	1,604,696	1,071,799	41,378	-	28,697
2006-07	437,281	1,511,221	1,534,847	37,718	-	33,024
2005-06	427,685	1,220,361	1,302,674	36,844	-	23,490
2004-05	361,205	1,096,548	907,818	34,394	-	31,285

(1) Includes General Fund

(2) The recreation fund was closed in fiscal year 2012 and activity is now reported in the general fund

**Table 3**

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	<u>Debt Service</u>		<u>Total</u>
\$	236,181	\$	5,215,570
	265,796		4,436,368
	282,187		3,782,684
	288,894		3,763,715
	368,196		3,971,961
	390,146		3,849,672
	424,630		3,751,156
	417,798		3,971,889
	420,071		3,431,125
	325,793		2,757,043

**Town of Strasburg, Virginia**  
**General Governmental Revenues by Source (1)**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Revenue from the Use of Money and Property</u>	<u>Miscellaneous</u>
2013-14	\$ 1,539,495	\$ 1,665,262	\$ 16,316	\$ 28,982	\$ 65,900	\$ 57,458
2012-13	1,416,634	1,614,343	9,065	34,780	67,610	83,481
2011-12	1,428,349	1,525,357	11,351	28,967	72,216	57,580
2010-11	1,509,841	1,501,187	13,715	32,715	71,389	85,346
2009-10	1,415,092	1,450,138	11,546	39,905	73,415	123,349
2008-09	1,456,136	1,515,840	12,155	44,711	57,375	56,319
2007-08	1,497,703	1,370,882	25,761	39,571	46,080	83,697
2006-07	1,436,157	1,207,590	23,989	53,809	58,975	56,770
2005-06	1,300,615	1,193,420	54,227	54,860	65,009	55,754
2004-05	1,025,514	1,031,560	51,912	50,758	12,251	64,288

(1) Includes General Fund

**Table 4**

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<u>Charges for Services</u>	<u>Inter- governmental</u>	<u>Total</u>
\$ 57,706	\$ 1,845,654	\$ 5,276,773
57,886	958,762	4,242,561
70,523	826,612	4,020,955
-	819,603	4,033,238
-	831,529	3,944,974
-	772,022	3,914,558
-	715,166	3,778,860
-	679,646	3,516,936
-	651,095	3,374,980
-	618,469	2,854,752



**Town of Strasburg, Virginia**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Total Tax Levy (1,2,3)</u>	<u>Current Tax Collections (1,3)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections (1) (2)</u>	<u>Total Tax Collections</u>
2013-14 (3)	\$ 1,615,808	\$ 1,571,938	97.28%	\$ 64,422	\$ 1,636,360
2012-13 (3)	1,510,934	1,480,446	97.98%	32,151	1,512,597
2011-12 (3)	1,539,343	1,455,015	94.52%	66,824	1,521,839
2010-11 (3)	1,597,836	1,517,593	94.98%	90,515	1,608,108
2009-10 (3)	1,520,815	1,433,595	94.26%	88,877	1,522,472
2008-09 (3)	1,570,074	1,492,353	95.05%	63,311	1,555,664
2007-08 (3)	1,754,568	1,592,494	90.76%	11,914	1,604,408
2006-07 (3)	1,610,384	1,566,569	97.28%	8,486	1,575,055
2005-06 (3)	1,460,119	1,409,165	96.51%	6,926	1,416,091
2004-05 (3)	1,227,258	1,142,620	93.10%	10,098	1,152,718

- (1) Exclusive of penalties
- (2) Does not include land redemptions
- (3) Includes Commonwealth of Virginia PPTRA Reimbursement
- (4) Does not include supplements and abatements-only original tax levy

**Table 5**

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<u>Percent of Total Tax Collections to Tax Levy (4)</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
101.27% \$	127,450	7.89%
100.11%	118,636	7.85%
98.86%	133,623	8.68%
100.64%	189,336	11.85%
100.11%	188,670	12.41%
100.11%	182,278	12.41%
91.44%	337,276	19.22%
97.81%	125,554	7.80%
96.98%	144,369	9.89%
93.93%	119,409	9.73%

**Town of Strasburg, Virginia**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands)**

**Table 6**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation (1)		Total	Assessed vs Fair Market Value
				Real Estate	Personal Property		
2013-14	\$ 604,013	\$ 43,492	\$ 32,588	\$ 21,201	\$ -	\$ 701,294	100.00%
2012-13	555,327	40,461	17,530	20,076	-	633,394	100.00%
2011-12	552,866	40,134	21,105	22,843	-	636,948	100.00%
2010-11	550,613	39,038	28,703	22,845	-	641,199	100.00%
2009-10	547,258	38,159	23,230	18,028	-	626,675	100.00%
2008-09	548,653	40,501	25,724	14,725	-	629,603	100.00%
2007-08	532,774	40,489	33,915	15,116	-	622,294	100.00%
2006-07	508,810	36,358	42,576	16,819	-	604,563	100.00%
2005-06	386,858	31,324	39,701	12,091	-	469,974	100.00%
2004-05	258,311	28,132	39,990	15,521	-	341,954	100.00%

(1) Assessed values are established by the State Corporation Commission

Town of Strasburg, Virginia  
 Property Tax Rates (1)  
 Last Ten Fiscal Years

Table 7

Fiscal Year	Real Estate	Personal Property	Machinery & Tools
2013-14	\$ 0.16	\$ 1.11	\$ 0.86
2012-13	0.16	1.11	0.86
2011-12	0.16	1.11	0.86
2010-11	0.16	1.11	0.86
2009-10	0.16	1.11	0.86
2008-09	0.16	1.11	0.86
2007-08	0.16	1.11	0.86
2006-07	0.16	1.11	0.86
2005-06	0.22/0.16	1.11	0.86
2004-05	0.22	1.11	0.86

(1) Rates are based on \$100 per assessed value

For tax year 2006 the real estate tax rate was dropped to \$.16 per \$100 of assessed value.

**Town of Strasburg, Virginia  
Principal Taxpayers  
At June 30, 2014**

**Table 8**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2014 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
King's Plumbing and Heating, Inc.	Rental/Commerical Property	\$ 11,460,300	19%
294 Front Royal LLC	Manufacturing	11,454,700	19%
IAC Corp.	Manufacturing	8,763,800	14%
Homewood Retirement	Rental Property	6,477,600	11%
Toothman Investments LLC	Rental Property/Retail	5,115,800	8%
Massanutten Elderly LLC	Rental Property	5,037,500	8%
Sunlight Properties LLC	Real Estate/Rental Property	3,464,400	6%
Terry Dellinger	Real Estate/Rental Property	3,417,000	6%
Third Try LLC	Real Estate	3,260,100	5%
AGK Rental Properties	Real Estate/Rental Property	<u>3,194,500</u>	5%
	Total	\$ <u>61,645,700</u>	

**Town of Strasburg, Virginia**  
**Computation of Legal Debt Margin**  
**For the Fiscal Year Ended June 30, 2014**  
**(in thousands)**

**Table 9**

Total assessed value of taxed real property		\$	604,013
Debt limit-10 percent of assessed value		\$	60,401
Amount of debt applicable to limit			
Gross debt	\$	17,427	
Less: Water and sewer revenue bonds		<u>(16,002)</u>	
		\$	<u>1,425</u>
Legal debt margin		\$	<u><u>58,976</u></u>

## **COMPLIANCE**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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### To the Honorable Members of the Town Council Town of Strasburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Strasburg, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Strasburg, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Strasburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Strasburg, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2014

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## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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**To the Honorable Members of the Town Council  
Town of Strasburg, Virginia**

### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Strasburg, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Strasburg, Virginia's major federal programs for the year ended June 30, 2014. Town of Strasburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Strasburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Strasburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Strasburg, Virginia's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Strasburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

Management of the Town of Strasburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Strasburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Strasburg, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2014

**Town of Strasburg, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

<b>Federal Granting Agency/ Pass-through Agency/Program</b>	<b>Federal Catalog Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>United States Department of Agriculture</u></b>			
<b>Pass-through Payments:</b>			
<b>State Department of Environmental Quality:</b>			
Water and Waste Disposal Systems for Rural Communities	10.760	n/a	\$ 719,574
<b><u>Environmental Protection Agency</u></b>			
<b>Pass-through Payments:</b>			
<b>Department of Environmental Quality:</b>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	n/a	\$ 871,706
<b><u>United States Department of Justice</u></b>			
<b>Direct Payments</b>			
Asset Forfeiture Proceeds	16.000	n/a	\$ 8,162
<b><u>United States Department of Homeland Security</u></b>			
<b>Direct Payments</b>			
Disaster Assistance Projects	97.088	n/a	\$ 39,135
<b><u>United States Department of Housing and Urban Development</u></b>			
<b>Pass-through Payments:</b>			
<b>State Department of Housing and Community Development:</b>			
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	n/a	\$ 11,712
<b><u>United States Department of Transportation, National Highway Traffic Safety Administration</u></b>			
<b>Pass-through Payments:</b>			
<b>State Department of Transportation:</b>			
Alcohol Impaired Driving Countermeasures Incentives Grants	20.601	n/a	\$ 6,915
Highway Planning and Construction	20.205	n/a	953,814
Total Department of Transportation-pass through payments			\$ <u>960,729</u>
Total Expenditures of Federal Awards			\$ <u><u>2,611,018</u></u>

**Town of Strasburg, Virginia**

**Notes to Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the activity of all federal award programs for the Town as of June 30, 2014. The Town's reporting entity is defined in note 1(A) of the Town's notes to financial statements.

Federal award programs include direct expenditures, monies passed through to other governmental entities, and nonmonetary assistance.

**B. Basis of Presentation:**

The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

**C. Basis of Accounting:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**D. Matching Costs:**

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

**E. Loans:**

Federal expenditures reported on this schedule include loans of \$642,622.

**II. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the agency. As a result, the amounts reported in federal financial reports may not agree with the amounts reported in the accompanying schedule.

Federal expenditures, revenues, and capital contributions are reported in the Town's basic financial statements as follows:

Primary government:	
Governmental funds	\$ 1,019,738
Proprietary funds	948,658
Reconciling items:	
VRA loan proceeds	<u>642,622</u>
Total primary government	<u><u>\$ 2,611,018</u></u>

**Town of Strasburg, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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**Section I-Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified?     yes   x   no

- Significant deficiency(ies) identified?     yes   x   none reported

Noncompliance material to financial statements noted?     yes   x   no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?     yes   x   no

- Significant deficiency(ies) identified?     yes   x   none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?     yes   x   no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?     yes   x   no

**Section II-Financial Statement Findings**

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None

**Section III-Federal Award Findings and Questioned Costs**

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None

**Section IV-Summary of Prior Year Findings**

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There were no prior year findings.