Town of Woodstock, Virginia

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

TOWN OF WOODSTOCK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

Prepared by:

John B O'Neill, Director of Finance

TOWN OF WOODSTOCK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	1-5
GFOA Certification of Achievement	6
Organizational Chart	7
List of Principal Town Officials	8

FINANCIAL SECTION

		Page
Independent Auditors' Report		9-11
Management's Discussion and Analysis		12-22
	Exhibit	
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Position	1	23
Statement of Activities	2	24
Fund Financial Statements:		
Balance Sheet—Governmental Fund	3	25
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	4	26
Statement of Revenues, Expenditures, and Changes in Fund Balance — Governmental Fund	5	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	6	28
Statement of Net Position — Proprietary Fund	7	29
Statement of Revenues, Expenses, and Changes in Fund Net Position— Proprietary Fund	8	30
Statement of Cash Flows—Proprietary Fund	9	31
Notes to the Financial Statements		32-69

TOWN OF WOODSTOCK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

	Exhibit	Page
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual — General Fund	10	70
Schedule of Pension Funding Progress	11	71
Schedule of OPEB Funding Progress	12	72
OTHER SUPPLEMENTARY INFORMATION:		
	Schedule	
Computation of Legal Debt Margin	1	73

STATISTICAL SECTION

	Table	Page
Financial Trends:		
Net Position by Component	1	74-75
Changes in Net Position	2	76-79
Fund Balances of Governmental Funds	3	80-81
Changes in Fund Balances of Governmental Funds	4	82-83
Revenue Capacity:		
General Governmental Tax Revenues by Source	5	84-85
Assessed Value and Estimated Actual Value of Taxable Property	6	86-87
Property Tax Rates	7	88-89
Principal Property Taxpayers	8	90
Property Tax Levies and Collections	9	91

TOWN OF WOODSTOCK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION (CONTINUED)

	Table	Page
Debt Capacity:		
Ratios of Outstanding Debt by Type	10	92-93
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	11	94
Legal Debt Margin Information	12	95-96
Demographic and Economic Information:		
Demographic and Economic Statistics	13	97
Principal Employers	14	98
Operating Information:		
Full-time Equivalent Town Government Employees by Function/Program	15	99-100
Operating Indicators by Function	16	101-102
Capital Asset and Infrastructure Statistics by Function/Program	17	103

COMPLIANCE SECTION

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* 104-105

INTRODUCTORY SECTION

Town of Woodstock, Virginia

December 5, 2014

To the Honorable Mayor, Members of the Town Council, and Citizens of the Town of Woodstock:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Town of Woodstock, Virginia (Town) for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

We have prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States of America (GAAP), which are uniform minimum standards and guidelines for financial accounting and reporting;
- Governmental accounting and financial reporting statements, interpretations, and technical bulletins issued by the Governmental Accounting Standards Board (GASB); and
- Uniform financial reporting standards for counties, cities, and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

The Town is nestled along the North Fork of the Shenandoah River between the Massanutten and Alleghany mountain ranges. The Town is located within the County of Shenandoah and is approximately 90 miles outside the nation's capital of Washington, D.C. The Town covers approximately 3.8 square miles with elevations ranging from 800 feet to 950 feet above sea level.

135 North Main Street, Woodstock, Virginia 22664 • 540/459-3621 • Fax: 540/459-3085

The Town was established by charter in March of 1761 as part of what was then Frederick County. The Town was originally formed by a land grant from Lord Fairfax and founded as Muellerstadt (Miller Town) in 1752 after its founder, Jacob Miller. The Town's charter was sponsored by George Washington in Virginia's House of Burgesses. The Town has been the county seat of Shenandoah County since the County's formation in 1772.

The Town is the home of the Revolutionary War icon, Reverend John Peter Gabriel Muhlenberg, who delivered his famous sermon at his church located in the heart of the Town. At the conclusion of his sermon, he flung aside his clerical robe to reveal a soldier's uniform and proclaimed that "there is a time to preach and a time to fight and now is the time to fight." With that declaration, he then called for volunteers to join the 8th Virginia Regiment under his command.

Today, the Town continues to serve as the center of government and commerce for the County of Shenandoah. One of the County's courthouses, which was designed by Thomas Jefferson and built in 1795, is located on Main Street of Woodstock and is the oldest courthouse still in use west of the Blue Ridge Mountains.

Overview of the Town Government

Policy-making and legislative authority are vested in the Town Council, consisting of a mayor and six council members, all elected on a non-partisan, at-large basis. The Council appoints the town manager, town attorney, town clerk, treasurer, and chief of police. The town manager in turn appoints the heads of the Town's various departments. Council members serve four-year terms on a staggered election cycle with three members on one and four members on the other.

The Town Council in its legislative role adopts all ordinances and resolutions and establishes the general policies of the Town. The Council also sets the tax rate and adopts the budget.

The Town provides a full range of services to its constituents including police protection; maintenance of streets and bridges; refuse collection; water and sewer services; community development; and parks, recreational and cultural activities.

Financial Information

The management of the Town is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Town are protected from loss, theft, or misuse. In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records from preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Compliance and Control

The Town's budget is prepared on the basis of funds, which are fiscal and accounting entities with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. The funds are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions, and limitations.

The types of funds used by the Town include governmental funds (e.g., General Fund) and proprietary funds (e.g., Public Utilities Fund). All funds are subject to appropriation by the Town Council. The Town maintains budgetary controls, which are designed to monitor compliance with expenditure limitations set forth in annual budget appropriations approved by the Town Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the function level within an individual fund. The Director of Finance, with the approval of the Town Manager and department head(s), is authorized to transfer budgeted amounts between departments within the same fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.

As demonstrated by the statements and schedules included in the financial section of this report, the Town continues to meets its responsibility for sound financial management.

Economic Conditions and Outlook

While the Town concluded fiscal year 2014 in stable financial condition, it continues to be faced with concerns about future economic growth. The recovery from the recession into which the national economy descended in December 2007 continues to be slow; thus the weak and uncertain economic conditions that have prevailed during these last several years continue to impact the Town's budgetary state. As a result, Town management has continued its efforts to closely monitor its revenue collections and reduce spending as necessary. Cost reduction measures employed over the last several fiscal years have allowed the Town to once again conclude the fiscal year under budget without jeopardizing its quality level of services to Town citizenry.

Unemployment for Shenandoah County, the County in which the Town lies, has declined from 6.2 percent for the fiscal year ended June 30, 2013 to 5.9 percent for the fiscal year ended June 30, 2014. Although the unemployment rate for the County has significantly trailed that of the nation, it has consistently exceeded the unemployment rate for the Commonwealth of Virginia; however, given economic forecasts, we anticipate sustained downward trends in unemployment rates in the current and next fiscal year. Given an economic rebound that is expected to continue improving unemployment and overall economic conditions, the Town anticipates budgetary challenges, particularly related to federal and state funding to local governments. The Town is continuing to develop strategies to cope with state budget reductions as a result of the Commonwealth of Virginia's budgetary proposals to potentially shift more costs to local governments (e.g., unfunded mandates). These fiscal concerns have been prudently reflected through budgetary conservatism for the fiscal 2015 budget year. Operating department costs have been restructured to achieve efficiencies and cost savings without impacting the quality

level of services that the Town provides to its citizenry; furthermore, certain vacant positions have continued to remain frozen during the fiscal year. Moreover, as part of our strategic plan, the Town will be convening an organization-wide committee to review and analyze potential revenue enhancements and cost reductions.

However, in spite of the budgetary challenges that the Town faces, the economic outlook for the Town is reasonably strong as signs of positive economic vitality continue to emerge. As also denoted in the previous fiscal year, several of the Town's largest local consumption taxes including its sales, meals, and transient occupancy taxes have experienced increases as new restaurants and businesses have opened.

Although the Town expects some minor budgetary pressures for the remainder of fiscal year 2015 and as it prepares for the fiscal 2016 budget year, to ensure financial stability, the Town has identified its unassigned fund balance, which represents 35 percent of total general fund expenditures as of June 30, 2014, as a source to be sustained to provide sufficient working capital and a comfortable margin of security to address emergencies and declines in revenues without borrowing. Sustaining a prudent level of unassigned fund balance will allow the Town to maintain its comparably low property tax rates without reducing the high level of programs and services it offers its citizens. Through sound financial management, the Town Council has supported maintaining adequate fund balance reserves to buffer financial emergencies and economic downturns.

Major Initiatives

Through these slow and uncertain economic times, the Town has continued to improve its capacity to provide quality services to its citizens through various initiatives that help enhance community engagement, awareness, and overall beautification. The following narrative highlights some of the major initiatives that the Town assumed during fiscal year 2014.

In addition to the W.O. Riley Park project described below, the Town's staff invested significant time and resources into the development of a five year strategic plan. This plan provides a structure with annual milestones across six elements in support of the Town's long-term goals. The six elements include Economic Growth, Investment in Resources, Local Government Performance, Civic Engagement, Beautification and Preservation, and Fiscal Management.

In fiscal year 2014, the Town substantially completed its W.O. Riley Park improvement project. The master plan and design of the park was partially completed last fiscal year. The project design called for the construction of six new tennis courts and a basketball court with fencing, lighting for the tennis courts, a new playground with Americans with Disability Act (ADA) access, an event lawn with gazebos and a stage, a new restroom facility, a renovated maintenance facility, a spray pad within the swimming pool area, landscaping, signage, and other site improvements. Many patrons, both inside and outside of Town limits, enjoy the W.O. Riley Park amenities and as a result, these park revitalizations are not only greatly needed but also greatly supported.

Other Information

Independent Audit

The Commonwealth of Virginia requires an annual audit by independent certified public accountants. Robinson, Farmer, Cox Associates performed the audit for fiscal year ending June 30, 2014. The auditors' reports are included in the financial section and compliance section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the sixth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and thus we are submitting our CAFR for the current year to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services of the Finance Department staff along with the efforts of the administration and other Town departments.

In closing, without the leadership, support, and responsible and progressive financial management of the Mayor and Town Council, preparation of this report would not have been possible.

Respectfully submitted,

Reid A. Wodicka
Town Manager

John B. O'Neill
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

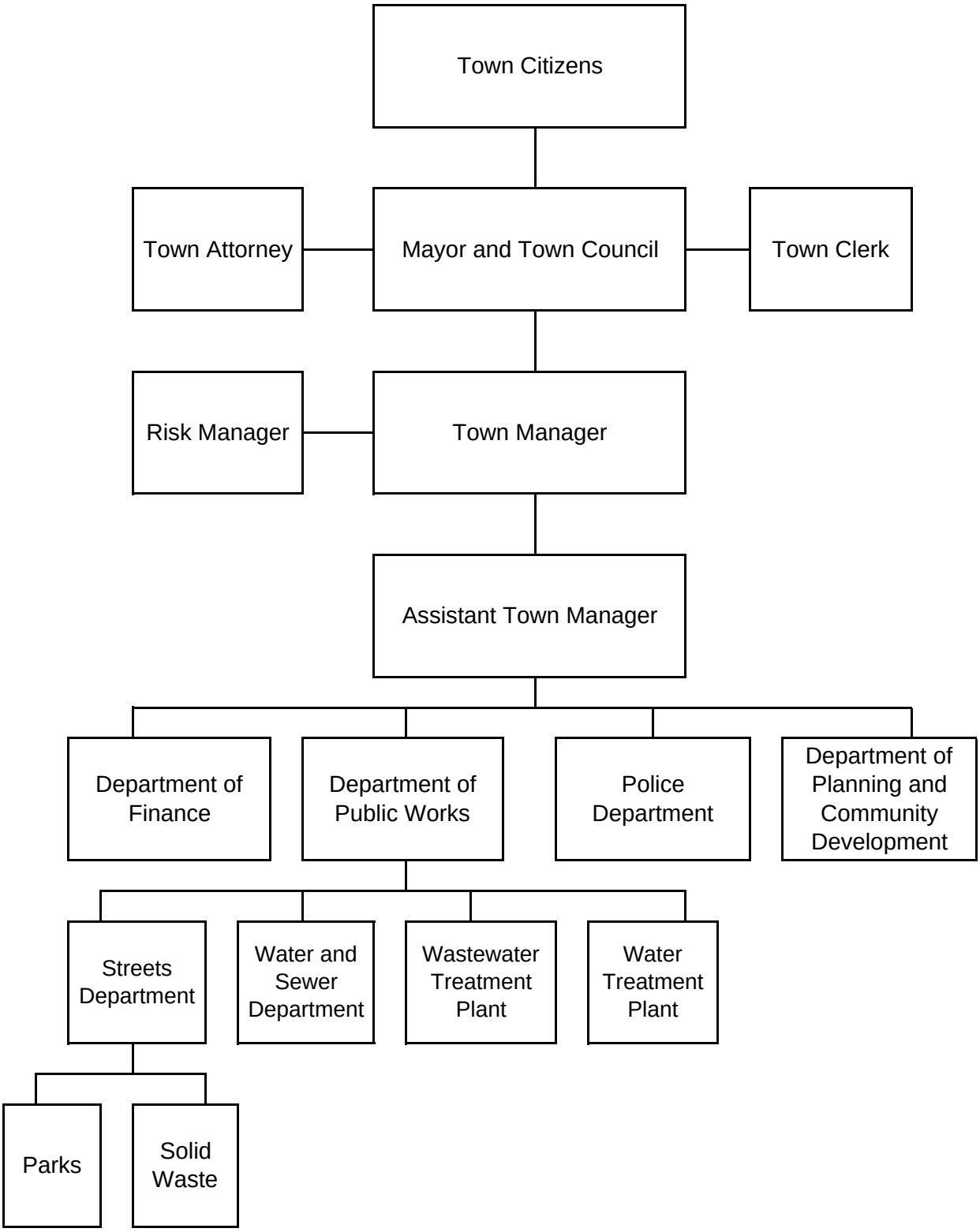
Town of Woodstock Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Town of Woodstock, Virginia
Organizational Chart



Town of Woodstock, Virginia

Principal Town Officials

TOWN COUNCIL

Jeremy McCleary, Mayor

Jacqueline Lambert, Vice-Mayor

A. Paje Cross

Alicia Gutshall

Frank Haun

Steve Heishman

Michael Funkhouser

TOWN MANAGER

Reid A. Wodicka

TOWN ATTORNEY

Albert P. Mitchell

OFFICIALS

Assistant Town Manager for Administration	Angela K. Clem
Assistant Town Manager for Operations	Brent T. Manuel
Director of Finance	John B O'Neill
Treasurer	De Ebersole
Chief of Police	Eric L. Reiley
Superintendent of Public Works	James E. Didawick

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

THE HONORABLE MEMBERS OF THE TOWN COUNCIL
TOWN OF WOODSTOCK, 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 Town of Woodstock, 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 Woodstock, 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 12-22, 70, and 71-72, respectively, 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 Woodstock, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the Town of Woodstock, 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 Town of Woodstock, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 5, 2014

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the Town of Woodstock, Virginia (the Town) for the fiscal year ended June 30, 2014. The MD&A also includes a comparative analysis for the prior fiscal year ended June 30, 2013.

Financial Highlights

Government-wide Financial Statements

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at June 30, 2014 by $32,809,949, which equals the total net position of the Town. Of this amount, $4,008,517 is unrestricted and may be used to meet the Town's future obligations to citizens and creditors. Of the $4,008,517 unrestricted net position, $2,456,615 is related to governmental activities. The $1,551,902 remaining balance of unrestricted net position is related to business-type activities, which includes the Town's enterprise fund, the Public Utilities Fund.

For fiscal year 2014, taxes and other revenues of the Town's governmental activities amounted to $5,100,876. Expenses amounted to $5,018,653.

For fiscal year 2014, revenues of the Town's business-type activities were $3,613,995. Expenses amounted to $3,500,570.

The Town's total long-term debt decreased by $1,151,571, from $23,147,023 as of June 30, 2013 to $21,995,452 as of June 30, 2014. New debt in the amount of $170,183 was issued while $1,321,754 was retired during fiscal year 2014.

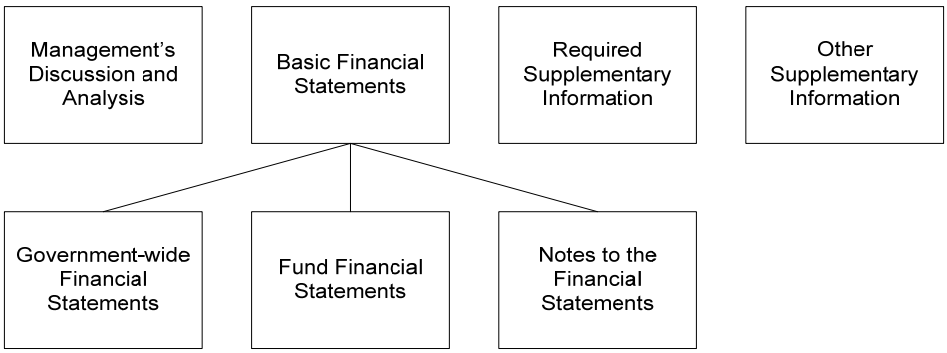
Fund Financial Statements

The total fund balances of the General Fund decreased $1,152,956 from $3,872,209 at June 30, 2013 to $2,719,253 at June 30, 2014. The General Fund had nonspendable fund balance of $23,211, restricted fund balance of $143,093, committed fund balance of $220,000, assigned fund balance of $75,000 and unassigned fund balance of $2,257,949. Unassigned fund balance for the General Fund represented 35 percent of total General Fund expenditures at June 30, 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains required supplementary information and other supplementary information.

Components of the Financial Report



Local government accounting and financial reporting originally focused on funds that were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justifications from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Government-wide Financial Statements

The government-wide financial statements provide financial statement users with a general overview of the Town's finances. The statements provide both long-term and short-term information about the Town's financial status. Two financial statements are used to present this information: 1) the statement of net position, and 2) the statement of activities. These statements are reported using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by private-sector companies.

The statement of net position presents all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors also need to be considered to determine the overall financial position of the Town.

The statement of activities presents information showing how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements separate governmental activities and business-type activities of the Town. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; public safety; public works; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The business-type activities of the Town include the public utilities fund.

The government-wide financial statements can be found on pages 23-24 of this report.

Fund Financial Statements

The fund statements present only the Town's major, or significant, funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources variable at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance.

The Town maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund.

The governmental fund financial statements can be found on pages 25-28 of this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget on page 70 of this report.

Proprietary Funds

The Town only maintains one type of proprietary fund, which is an enterprise fund. Enterprise funds 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. The fund financial statements report the same functions presented as business-type activities in the government-wide financial statements and provide both long- and short-term financial information. Additionally, the fund financial statements provide further information, such as cash flows, for the Town's enterprise fund. The Town uses the enterprise fund to account for its public utilities operations.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 32-69 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other post-employment benefits to its employees as well as the budgetary comparison schedule for the General Fund.

Required supplementary information can be found on pages 70-72 of this report.

Government-wide Financial Analysis

As previously noted, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $32,809,949 at June 30, 2014.

The Town's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

The table on the following page represents a summary of the net position of the Town at June 30, 2014 and 2013.

Summary Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Current and other assets	$ 3,865,448	$ 4,803,044	$ 1,953,191	$ 2,034,539	$ 5,818,639	$ 6,837,583
Capital assets	12,859,780	11,525,523	37,763,306	38,739,211	50,623,086	50,264,734
Total assets	$ 16,725,228	$ 16,328,567	$ 39,716,497	$ 40,773,750	$ 56,441,725	$ 57,102,317
Deferred charge on refunding	$ -	$ -	$ 5,733	$ 7,075	$ 5,733	$ 7,075
Total deferred outflows of resources	$ -	$ -	$ 5,733	$ 7,075	$ 5,733	$ 7,075
Current and other liabilities	$ 442,653	$ 222,833	$ 205,127	$ 162,902	$ 647,780	$ 385,735
Long-term liabilities	1,473,098	1,392,470	20,951,325	22,165,570	22,424,423	23,558,040
Total liabilities	$ 1,915,751	$ 1,615,303	$ 21,156,452	$ 22,328,472	$ 23,072,203	$ 23,943,775
Deferred revenue-property taxes	$ 565,306	$ 551,316	$ -	$ -	$ 565,306	$ 551,316
Total deferred inflows of resources	$ 565,306	$ 551,316	$ -	$ -	$ 565,306	$ 551,316
Net investment in capital assets	$ 11,787,556	$ 11,379,865	$ 17,013,876	$ 16,772,638	$ 28,801,432	$ 28,152,503
Restricted	-	7,604	-	-	-	7,604
Unrestricted	2,456,615	2,774,479	1,551,902	1,679,715	4,008,517	4,454,194
Total net position	$ 14,244,171	$ 14,161,948	$ 18,565,778	$ 18,452,353	$ 32,809,949	$ 32,614,301

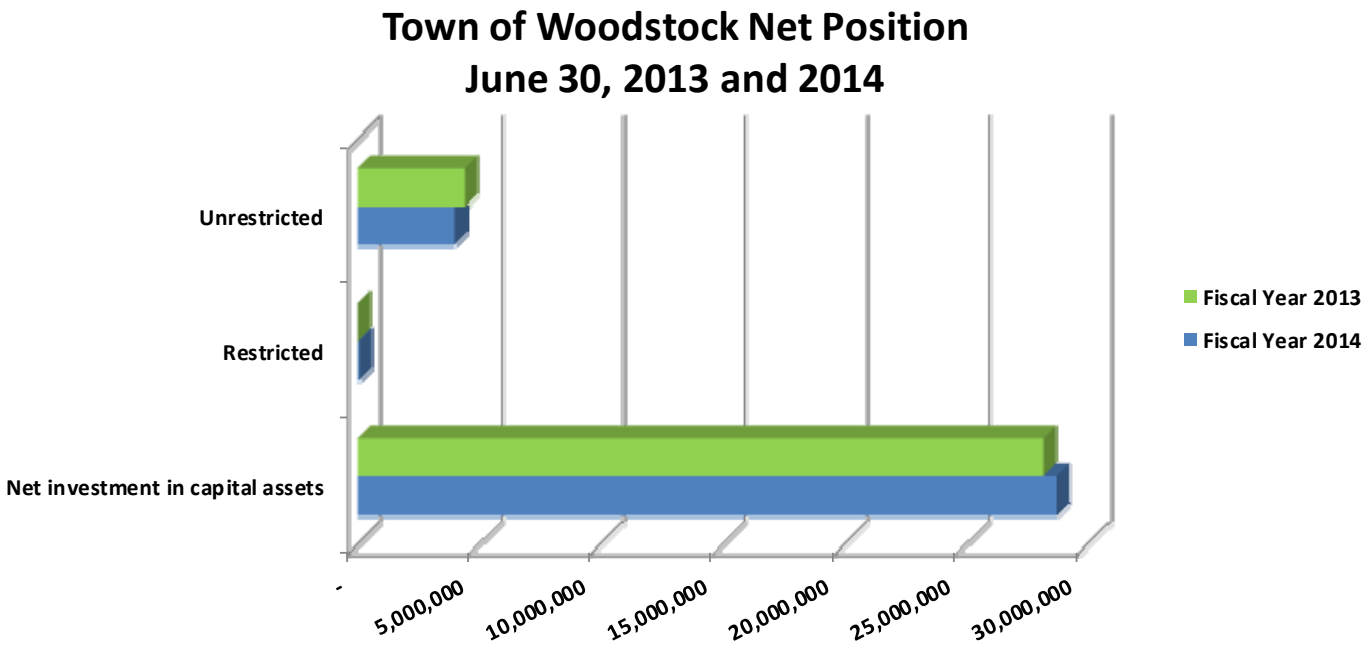
The Town's combined net position totaled $32,809,949 at June 30, 2014. Approximately 87 percent of this represents the Town's investment in capital assets (e.g., land, buildings, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; thus, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

The remaining balance of $4,008,517, representing 13 percent of total net position, is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the governmental and business-type activities. The same situation held true in the prior fiscal year.

During the current fiscal year, the Town's net position increased by $195,648 or 1 percent. This increase primarily represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

The chart on the next page illustrates the Town's net position as of June 30, 2013 and 2014.



The table on the following page represents a summary of the changes in net position at June 30, 2014 and 2013.

Summary of Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues						
Program revenues						
Charges for services	$ 331,482	$ 268,391	$ 3,456,904	$ 3,429,399	$ 3,788,386	$ 3,697,790
Operating grants and contributions	136,683	130,478	-	-	136,683	130,478
Capital grants and contributions	806,634	578,173	153,116	192,580	959,750	770,753
General revenues						
Property taxes	1,108,023	1,112,158	-	-	1,108,023	1,112,158
Other taxes and fees	2,565,335	2,531,813	-	-	2,565,335	2,531,813
Grants and contributions not restricted to specific programs	112,296	112,208	-	-	112,296	112,208
Unrestricted investment earnings	6,203	14,734	3,975	12,546	10,178	27,280
Other	34,220	23,012	-	-	34,220	23,012
Total revenues	$ 5,100,876	$ 4,770,967	$ 3,613,995	$ 3,634,525	$ 8,714,871	$ 8,405,492
Expenses						
General government administration	$ 828,451	$ 843,966	$ -	$ -	$ 828,451	$ 843,966
Public safety	1,878,638	1,739,156	-	-	1,878,638	1,739,156
Public works	1,724,374	1,545,390	-	-	1,724,374	1,545,390
Parks and recreation	223,802	240,960	-	-	223,802	240,960
Community development	331,185	318,861	-	-	331,185	318,861
Interest on long-term debt	32,203	14,290	-	-	32,203	14,290
Public utilities	-	-	3,500,570	3,431,982	3,500,570	3,431,982
Total expenses	$ 5,018,653	$ 4,702,623	$ 3,500,570	$ 3,431,982	$ 8,519,223	$ 8,134,605
Change in net position before transfers	$ 82,223	$ 68,344	$ 113,425	$ 202,543	$ 195,648	$ 270,887
Transfers	-	(387,676)	-	387,676	-	-
Change in net position	$ 82,223	$ (319,332)	$ 113,425	$ 590,219	$ 195,648	$ 270,887
Net position, beginning	14,161,948	14,481,280	18,452,353	17,862,134	32,614,301	32,343,414
Net position, ending	$ 14,244,171	$ 14,161,948	$ 18,565,778	$ 18,452,353	$ 32,809,949	$ 32,614,301

Governmental Activities

Governmental activities increased the Town's net position by $82,223, which was primarily due to an increase in revenues from Capital grants and contributions.

Operating grants and contributions and capital grants and contributions amounted to $136,683 and $806,634, respectively, from State and Federal government and other funding. Operating grants and contributions increased 5 percent from fiscal year 2013 to fiscal year 2014. Capital grants and contributions also increased (by almost 40 percent), primarily as a result of a deferral of Virginia Department of Transportation (VDOT) street maintenance grant funding of $101,735 in fiscal year 2013 that the Town carried over to this fiscal year in order to complete the North Street retaining wall replacement and paving project.

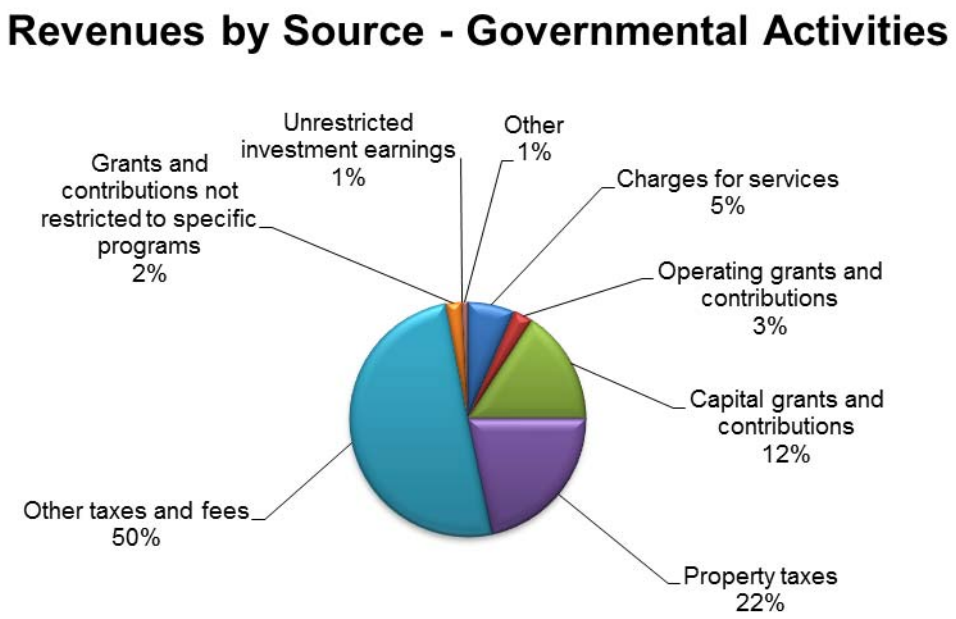
The Town's largest revenue source is general property taxes (i.e., real estate and personal property taxes), which did not significantly change from fiscal year 2013 to fiscal year 2014.

The Town's real estate property tax assessments for fiscal year 2014 were $553,348,600. The Town's real estate tax rate was $0.15 per $100 of assessed value for the 2013 and 2014 tax years. The Town's personal property tax assessments for the year were $39,522,456. The Town's personal property tax rate was $0.90 per $100 of assessed value for the 2013 and 2014 tax years. The Town's machinery and tools tax assessments for the year were $222,993. The Town's machinery and tools tax rate was $0.90 per $100 of assessed value for the 2013 and 2014 tax years. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the State's share of local personal property tax remained at $106,753.

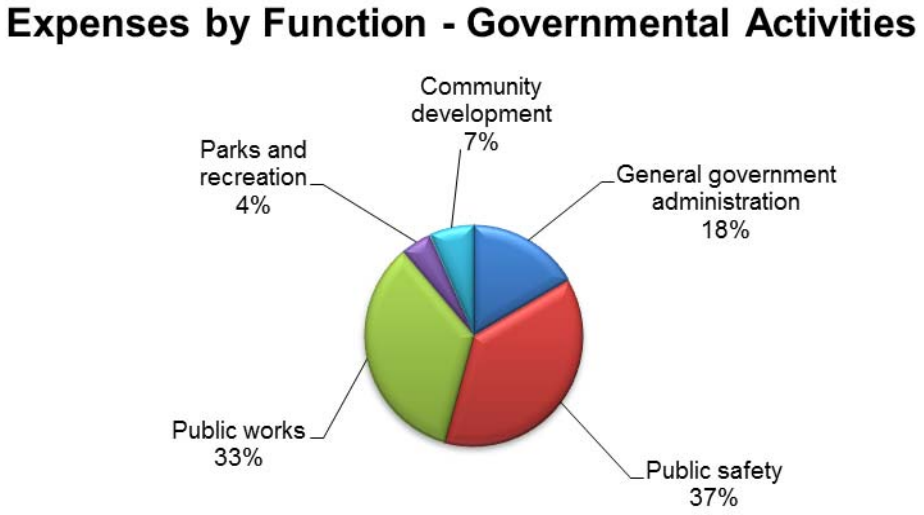
Other local taxes were $2,565,335 for the year, increasing 1.3 percent from fiscal year 2013 to fiscal year 2014. Other local taxes consist of county sales taxes, meals taxes, transient occupancy taxes, bank franchise taxes, utility taxes, cigarette taxes, licenses and fees and other taxes. The 1.3 increase is not due from a significant change in any of the particular taxes.

Other revenues increased from $23,012 in fiscal year 2013 to $34,220 (49%) in fiscal year 2014.

The chart below illustrates the revenues by source for the Town's governmental activities for fiscal year 2014.



For fiscal year 2014, expenses for governmental activities totaled $5,018,653, which increased $316,030 or 6.7 percent from fiscal year 2013. This rise in expenses for governmental activities is primarily the result of increased expenditures for Public Safety and Public Works for needed capital investments. The chart below illustrates the expenses by function for the Town's governmental activities for fiscal year 2014.



Business-type Activities

The Town's business-type activities are comprised of enterprise funds for public utilities operations. Net position of these business-type activities increased by $113,425 in fiscal year 2014.

Revenues for the business-type activities totaled $3,613,995, of which approximately 96 percent is from charges for services and roughly 4 percent is from capital grants and contributions.

Revenue from charges for services increased by almost 1 percent from fiscal year 2013 to fiscal year 2014. This growth in revenue is the result of increased consumption as the water and sewer rates remained the same as in the prior year.

Capital grants and contributions decreased 20% percent from fiscal year 2013 to fiscal year 2014. This decrease is attributable to the continuing decline in the number of commercial housing projects in the Town during fiscal year 2014.

The Public Utilities Fund expenses increased $68,586 (less than 2%) from fiscal year 2013 to fiscal year 2014.

Financial Analysis of the Town's Funds

As mentioned previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

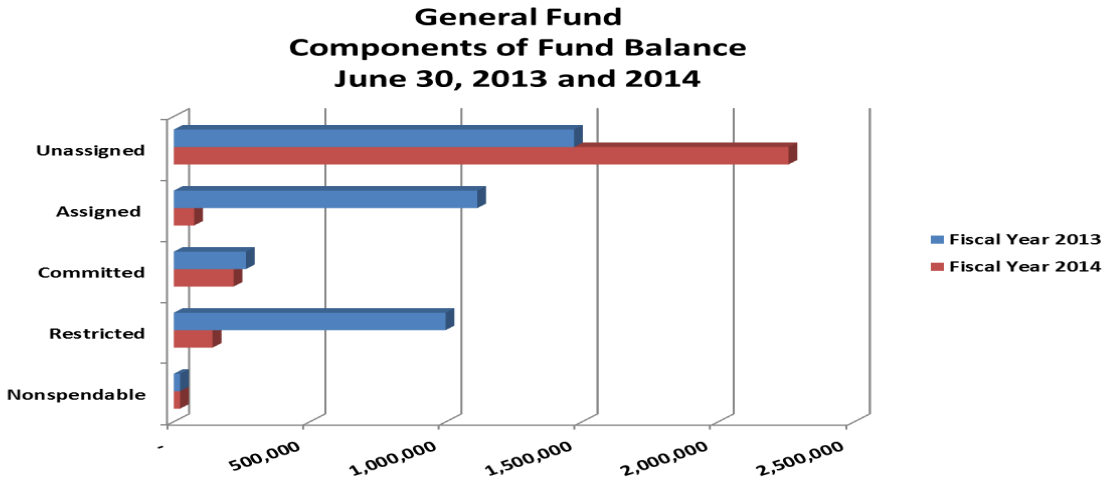
The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited for a particular purpose by either an external party, the Town itself, or the Finance Director, who has been delegated authority to assign resources for particular purposes by the Town's Council.

At the end of fiscal year 2014, the Town's governmental funds reported ending fund balances of $2,719,253. Of this amount, $23,211 was not in spendable form, $143,093 was restricted for specific purposes, $220,000 was committed for fire and rescue, $75,000 was assigned for appropriation of fund balance in the subsequent year's budget, and the remaining $2,257,949, or 83% of the total fund balance, was unassigned and available for spending at the Town's discretion.

As a measure of the general fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 35 percent of total general fund expenditures as of June 30, 2014.

The total fund balance of the Town's General Fund decreased by $1,152,956 or 30 percent during fiscal year 2014. This decrease in fund balance is the result of the issuance of long-term debt in the amount of $1,000,000 during fiscal year 2013 for expenditures in fiscal year 2014 for major capital improvements at W.O. Riley Park. In addition, the Town had appropriated $500,000 from its fund balance to support this effort.

The chart below illustrates the components of fund balance for the Town's General Fund.



Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The Town maintains only one proprietary fund: the Public Utilities Fund. As of June 30, 2014, unrestricted net position of the Public Utilities Fund totaled $1,551,902.

Other factors concerning these funds have already been addressed in the discussion of the Town's government-wide financial analysis of business-type activities.

General Fund Budgetary Highlights

The Town made budgetary amendments to the total appropriations of the General Fund during fiscal year 2014 in the total amount of $58,950 as illustrated in Exhibit 10 on page 70.

Fiscal year 2014 actual revenues were $456,780 more than the fiscal year 2014 final budgeted revenues. Fiscal year 2014 actual expenditures were $183,410 less than the fiscal year 2014 final budgeted expenditures. Reasons for these variances are briefly summarized as follows:

- General property taxes were $74,309 more than the final budgeted revenues primarily due to the fact real and personal property tax assessments were more than what was anticipated.
- Other local taxes were $164,782 more than the final budgeted revenues due to essentially uniform increases across the board (cigarette taxes, meals taxes, local sales tax, etc.).
- Operating expenditures for public works were $105,935 more than the final budgeted expenditures largely due to the North Street resurfacing and retaining wall replacement project and substantial completion of the W.O. Riley park project. This over-budget situation was more than offset by budget savings in other departments in this function. Operating expenditures for parks and recreation were $44,247 less than the final budgeted expenditures and expenditures for capital projects were similarly under budget by $98,463.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets as of June 30, 2014 for its governmental and business-type activities was $50,623,086, net of depreciation, as reflected in the schedule below.

Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Land	$ 1,320,305	$ 1,320,305	$ 171,915	$ 171,915	$ 1,492,220	$ 1,492,220
Buildings and improvements	3,234,013	3,234,013	36,431,951	36,431,951	39,665,964	39,665,964
Infrastructure	12,112,535	11,958,958	8,340,874	8,340,874	20,453,409	20,299,832
Machinery and equipment	1,548,593	1,447,697	863,827	863,827	2,412,420	2,311,524
Construction in progress	1,494,868	142,338	182,515	182,515	1,677,383	324,853
Accumulated depreciation	(6,850,534)	(6,577,789)	(8,227,776)	(7,251,872)	(15,078,310)	(13,829,661)
Total net capital assets	$ 12,859,780	$ 11,525,522	$ 37,763,306	$ 38,739,210	$ 50,623,086	$ 50,264,732

Major capital asset events during the current fiscal year included the following:

- The Town substantially completed its W.O. Riley Park improvement project, which includes the construction of new tennis courts, a basketball court, fencing, tennis court lighting, a new playground, an event area, a spray pad area at the swimming pool, a new restroom facility, a renovated park maintenance building, landscaping, signage, and other site improvements. Total costs incurred on this project in the current fiscal year amounted to $1,352,530.
- The Town purchased two new police vehicles, a new loader, and one new public works truck, for a total net cost of $100,896.

Additional information on the Town's capital assets may be found in the notes to the financial statements, Note 9-Capital Assets on pages 45-47.

Long-term Obligations

At the end of fiscal year 2014, the Town had the following outstanding obligations:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
General obligation bonds	$ 1,045,134	$ 1,114,682	$ 20,666,766	$ 21,885,909	$ 21,711,900	$ 23,000,591
Original issue premium	-	-	113,369	124,560	113,369	124,560
Notes payable	-	11,937	-	-	-	11,937
Capital leases	170,183	9,935	-	-	170,183	9,935
Compensated absences	141,507	156,318	107,564	98,499	249,071	254,817
Total long-term obligations	$ 1,356,824	$ 1,292,872	$ 20,887,699	$ 22,108,968	$ 22,244,523	$ 23,401,840

Additional information on the Town's long-term obligations can be found in the notes to the financial statements, Note 10-Long-term Obligations on pages 47-50.

Economic Factors and Next Year's Budgets and Rates

- Growth in the Town is expected to remain slow, which will continue to cause general property and other local tax revenues to experience little growth.
- Earnings on idle cash continue to remain at low levels.
- It is expected that the Commonwealth of Virginia may continue to decrease it's funding to localities, including law enforcement assistance and other grants, particularly given the impact of federal government budgetary cuts to the Commonwealth. However, federal and state funding reductions should not have a substantial impact on the Town's budget.
- In anticipation of increasing pressures on the cost of water and sewer treatment, the Town increased its water and sewer rates significantly to be effective in July 2014.
- On the expenditure side, large increases are expected in health insurance premiums, as well as pension and other benefit costs.

All of these factors were considered in preparing the Town's budget for fiscal year 2015.

For the 2015 budget year, significant capital improvement projects include completion of the aforementioned W.O. Riley Park improvement project and the development of the Main Street Garden as the Town's first venture into the development of "pocket parks". The Town also plans to purchase a new police vehicle, a new public works truck, a mini-excavator and a new GPS utility location system.

Requests for Information

This financial report is designed to provide readers with a general overview of the Town of Woodstock'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, Town of Woodstock, Virginia, 135 North Main Street, Woodstock, Virginia 22664.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,732,079	$ 1,446,623	$ 4,178,702
Receivables, net of allowance for uncollectibles:			
Taxes	700,339	-	700,339
Accounts	247,224	299,645	546,869
Unbilled and other	-	96,431	96,431
Intergovernmental receivables	3,777	-	3,777
Prepaid items	23,211	-	23,211
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	158,818	85,520	244,338
Investments	-	24,972	24,972
Capital assets, not depreciable:			
Land	1,320,305	171,915	1,492,220
Construction in progress	1,494,868	182,515	1,677,383
Capital assets, depreciable:			
Buildings	691,013	33,891,070	34,582,083
Improvements other than buildings	2,543,000	2,540,881	5,083,881
Machinery and equipment	1,548,593	863,827	2,412,420
Infrastructure	12,112,535	8,340,874	20,453,409
Accumulated depreciation	(6,850,534)	(8,227,776)	(15,078,310)
Total assets	$ 16,725,228	$ 39,716,497	$ 56,441,725
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	$ -	$ 5,733	$ 5,733
Total deferred outflows of resources	$ -	$ 5,733	$ 5,733
LIABILITIES			
Accounts payable and accrued liabilities	$ 418,867	$ 84,828	$ 503,695
Accrued interest payable	4,230	34,779	39,009
Unearned revenue	3,831	-	3,831
Customers' deposits	-	85,520	85,520
Performance deposits	15,725	-	15,725
Noncurrent liabilities:			
Portion due and payable within one year:			
General obligation bonds, net of original issue premium	72,912	1,245,070	1,317,982
Capital leases	32,952	-	32,952
Compensated absences	8,189	6,454	14,643
Portion due and payable after one year:			
General obligation bonds, net of original issue premium	972,222	19,535,065	20,507,287
Capital leases	137,231	-	137,231
Net OPEB obligation	116,274	63,626	179,900
Compensated absences	133,318	101,110	234,428
Total liabilities	$ 1,915,751	$ 21,156,452	$ 23,072,203
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	$ 565,306	$ -	$ 565,306
Total deferred inflows of resources	$ 565,306	$ -	$ 565,306
NET POSITION			
Net investment in capital assets	$ 11,787,556	$ 17,013,876	$ 28,801,432
Unrestricted	2,456,615	1,551,902	4,008,517
Total net position	$ 14,244,171	$ 18,565,778	$ 32,809,949

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

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government administration	$ 828,451	$ -	$ -	$ -	$ (828,451)	$ -	$ (828,451)
Public safety	1,878,638	101,910	135,933	-	(1,640,795)	-	(1,640,795)
Public works	1,724,374	171,920	-	806,634	(745,820)	-	(745,820)
Parks and recreation	223,802	57,652	-	-	(166,150)	-	(166,150)
Community development	331,185	-	750	-	(330,435)	-	(330,435)
Interest on long-term debt	32,203	-	-	-	(32,203)	-	(32,203)
Total governmental activities	$ 5,018,653	$ 331,482	$ 136,683	$ 806,634	$ (3,743,854)	$ -	$ (3,743,854)
Business-type Activities							
Water & Sewer	$ 3,500,570	$ 3,456,904	$ -	$ 153,116	$ -	$ 109,450	$ 109,450
Total primary government	$ 8,519,223	$ 3,788,386	$ 136,683	$ 959,750	$ (3,743,854)	$ 109,450	$ (3,634,404)
General revenues							
General property taxes					$ 1,108,023	$ -	$ 1,108,023
Other local taxes:							
Local sales and use					224,692	-	224,692
Consumers' utility					89,167	-	89,167
Bank franchise					199,737	-	199,737
Meals					1,005,123	-	1,005,123
Transient occupancy					210,788	-	210,788
Cigarette					239,386	-	239,386
Vehicle license					92,464	-	92,464
Business license					368,553	-	368,553
Other local taxes					40,844	-	40,844
Unrestricted revenues from use of money and property					6,203	3,975	10,178
Miscellaneous					34,220	-	34,220
Grants and contributions not restricted to specific programs					206,877	-	206,877
Total general revenues					$ 3,826,077	$ 3,975	$ 3,830,052
Change in net position					$ 82,223	$ 113,425	$ 195,648
Net position, beginning of year					14,161,948	18,452,353	32,614,301
Net position, end of year					$ 14,244,171	$ 18,565,778	$ 32,809,949

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

FUND FINANCIAL STATEMENTS

Town of Woodstock, Virginia **Exhibit 3**

Balance Sheet
Governmental Funds
June 30, 2014

		General Fund
ASSETS		
Cash and cash equivalents	$	2,732,079
Receivables (net of allowance for uncollectibles):		
Property taxes		700,339
Accounts		247,224
Intergovernmental receivables		3,777
Prepaid items		23,211
Restricted assets:		
Temporarily restricted:		
Cash and cash equivalents		158,818
Total assets	$	3,865,448
LIABILITIES		
Accounts payable and accrued liabilities	$	418,867
Performance deposits		15,725
Unearned revenue		3,831
Total liabilities	$	438,423
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	$	707,772
Total deferred inflows of resources	$	707,772
FUND BALANCES		
Nonspendable:		
Prepaid items	$	23,211
Restricted:		
Parks and recreation	$	143,093
Committed:		
Woodstock Volunteer Fire Department	$	70,000
Woodstock Volunteer Rescue Squad		150,000
Assigned:		
Subsequent year's budget: appropriation of fund balance	$	75,000
Unassigned	$	2,257,949
Total fund balances	$	2,719,253
Total liabilities, deferred inflows of resources, and fund balances	$	3,865,448

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

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2014

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	$	2,719,253
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.		12,859,780
Other long-term assets are not available to pay for current-period expenditures, and therefore are reported as unavailable revenues in the funds.		142,466
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		(1,477,328)
Net position of governmental activities	$	14,244,171

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

Town of Woodstock, Virginia **Exhibit 5**

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2014

		General Fund
REVENUES		
General property taxes	$	1,124,109
Other local taxes		2,196,782
Permits, privilege fees, and regulatory licenses		368,553
Fines and forfeitures		101,910
Revenue from the use of money and property		6,203
Charges for services		229,572
Miscellaneous		34,220
Intergovernmental:		
Commonwealth		1,040,045
Federal		15,567
Total revenues	$	5,116,961
EXPENDITURES		
Current:		
General government administration	$	840,874
Public safety		1,819,715
Public works		1,630,325
Parks and recreation		181,503
Community development		255,927
Capital projects		1,590,497
Debt service:		
Principal retirement		91,420
Interest and other fiscal charges		29,839
Total expenditures	$	6,440,100
Excess (deficiency) of revenues over (under) expenditures	$	(1,323,139)
OTHER FINANCING SOURCES (USES)		
Capital lease	$	170,183
Total other financing sources (uses)	$	170,183
Net change in fund balance	$	(1,152,956)
Fund balance - beginning		3,872,209
Fund balance - ending	$	2,719,253

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balance - total governmental fund	$	(1,152,956)
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 the depreciation in the current period.		1,349,532
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(15,274)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(16,086)
The issuance of long-term debt (e.g., bonds and 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.		(78,763)
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.		(4,230)
Change in net position of governmental activities	$	82,223

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

Statement of Net Position
Proprietary Fund
June 30, 2014

	Enterprise Fund Public Utilities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,446,623
Accounts receivable, net of allowance for uncollectibles	299,645
Unbilled and other receivables	96,431
Total current assets	$ 1,842,699
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	$ 85,520
Investments	24,972
Total restricted assets	$ 110,492
Capital assets:	
Land	$ 171,915
Buildings	33,891,070
Improvements other than buildings	2,540,881
Machinery and equipment	863,827
Infrastructure	8,340,874
Construction in progress	182,515
Accumulated depreciation	(8,227,776)
Total capital assets	$ 37,763,306
Total noncurrent assets	$ 37,873,798
Total assets	$ 39,716,497
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	$ 5,733
Total deferred outflows of resources	$ 5,733
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	$ 84,828
Accrued interest payable	34,779
Customers' deposits	85,520
General obligation bonds, net of original issue premium	1,245,070
Compensated absences	6,454
Total current liabilities	$ 1,456,651
Noncurrent liabilities:	
General obligation bonds, net of original issue premium and deferred charge on refunding	$ 19,535,065
Net OPEB obligation	63,626
Compensated absences	101,110
Total noncurrent liabilities	$ 19,699,801
Total liabilities	$ 21,156,452
NET POSITION	
Net investment in capital assets	$ 17,013,876
Unrestricted	1,551,902
Total net position	$ 18,565,778

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

Town of Woodstock, Virginia **Exhibit 8**

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund Public Utilities
OPERATING REVENUES	
Charges for services	$ 3,456,904
Total operating revenues	$ 3,456,904
OPERATING EXPENSES	
Water treatment facility	$ 680,350
Water transmission and distribution	295,217
Wastewater treatment facility	1,036,615
Sanitary sewer maintenance	239,575
Depreciation	975,904
Total operating expenses	$ 3,227,661
Operating income (loss)	$ 229,243
NONOPERATING REVENUES (EXPENSES)	
Availability fees	$ 153,116
Interest revenue	3,975
Interest expense	(272,909)
Total nonoperating revenues (expenses)	$ (115,818)
Change in net position	$ 113,425
Total net position - beginning	$ 18,452,353
Total net position - ending	$ 18,565,778

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund Public Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 3,474,875
Payments to suppliers	(920,128)
Payments to employees	(1,280,736)
Net cash provided by (used for) operating activities	$ 1,274,011
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Availability fees	$ 153,116
Principal paid on bonds	(1,219,143)
Interest payments	(284,385)
Net cash provided by (used for) capital and related financing activities	$ (1,350,412)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	$ 3,975
Sale and purchase of investments	11,849
Net cash provided by (used for) investing activities	$ 15,824
Net increase (decrease) in cash and cash equivalents	$ (60,577)
Cash and cash equivalents, including restricted - beginning	$ 1,592,720
Cash and cash equivalents, including restricted - ending	$ 1,532,143
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ 229,243
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	$ 975,904
(Increase) decrease in accounts receivable	9,195
(Increase) decrease in unbilled and other receivables	(274)
Increase (decrease) in accounts payable	34,804
Increase (decrease) in customer deposits	9,050
Increase (decrease) in compensated absences payable	9,065
Increase (decrease) in net OPEB obligation	7,024
Total adjustments	$ 1,044,768
Net cash provided by (used for) operating activities	$ 1,274,011

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial reporting entity

The Town is a municipal corporation governed by an elected mayor and six-member Council, who are elected at large for staggered four-year terms. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Thus, blended component units are appropriately presented as funds of the Town. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

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 the activities of the primary government and its component units. *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 to external customers for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by 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 fund:

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 and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

The government reports the following major proprietary fund:

The *public utilities fund* accounts for the activities of the Town's water and sewer system. The Town's public utilities fund operates the wastewater treatment plant, sewage pumping stations and collection systems, the water treatment plant, and the water distribution system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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 public utilities fund are charges to customers for sales and services. Operating expenses for enterprise 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. Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value.

2. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

3. Property taxes

Property taxes are levied as of January 1 and attach as an enforceable lien on property as of January 1. All real and personal property is assessed by the County of Shenandoah Commissioner of Revenue. General real property assessments occur every four years. The Town collects real and personal property taxes semi-annually. Real property and personal property taxes are due and collectible twice a year, on June 5 and December 5. A penalty of 10 percent is assessed after the applicable due date. Interest at a monthly rate of 1 percent is charged on delinquent balances beginning July 1 and January 1. 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 amounted to approximately $46,797 at June 30, 2014 and is comprised of property taxes, accounts and water and sewer accounts receivable.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. 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.

6. 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. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. 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. No interest was capitalized during the current or previous year.

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

Assets	Years
Buildings	50
Building improvements	15-25
Infrastructure	75
Vehicles	5-15
Machinery and Equipment	5-10

Infrastructure acquired prior to 1980 is reported in the financial statements.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Compensated absences

Per the Town's personnel policies, employees can accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide and proprietary fund financial statements. In accordance with the provisions of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" at retirement. The Town accrues salary-related payments associated with the payment of compensated absences.

8. Long-term obligations

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

9. 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 (i.e., inventory and prepaid assets) or are required to be maintained intact legally or contractually (i.e., corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by external parties (i.e., 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 (e.g., Town Council); 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;

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Fund equity (continued)

- 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.

The Town establishes (and modifies or rescinds) fund balance commitments by formal action of the Town Council; the formal action required to commit fund balance is by resolution, prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation. The Town Council has by resolution delegated authority to assign fund balance for a specific purpose to the Town's Finance Director. The Town Council may also assign fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

10. 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.

11. Restricted assets

Assets of the Town's governmental activities have been restricted for the payment of performance deposits in the amount of $15,725 and unspent bond proceeds of $143,093. Assets of the Town's public utilities enterprise fund have been restricted for the payment of customer deposits in the amount of $85,520 and $24,972 for future wastewater construction.

12. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

E. 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.

F. 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2014 amounted to $5,733.

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 or resources.

This space left blank intentionally.

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 $(1,477,328) difference for the Town are as follows:

		Governmental Activities
General obligation bonds	$	(1,045,134)
Capital lease		(170,183)
Compensated absences		(141,507)
Accrued interest payable		(4,230)
Other postemployment benefit obligations		(116,274)
Net adjustment to decrease fund balance-total governmental funds to arrive at net position-governmental activities	**$**	**(1,477,328)**

This space left blank intentionally.

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 balance 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 $1,349,532 difference for the Town are as follows:

		Governmental Activities
Capital outlay	$	1,744,073
Depreciation expense		(394,541)
Net adjustment to decrease *net changes in fund balances-total governmental funds* to arrive at *changes in net position of governmental activities*	**$**	**1,349,532**

Another element of that reconciliation states that "the net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position." The details of this $(15,274) difference are as follows:

In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	$	(15,274)
Net adjustment to decrease *total governmental funds* to arrive at *changes in net position of governmental activities*	**$**	**(15,274)**

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this $(16,086) difference for the Town are as follows:

Decrease in unavailable revenue-property taxes	**$**	(16,086)
Net adjustment to increase *net changes in fund balances-total governmental funds* to arrive at *changes in net position of governmental activities*	**$**	**(16,086)**

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 $(78,763) difference for the Town are as follows:

Debt Issued or Incurred:		
General obligation bonds	$	(170,183)
Principal repayments:		
General obligation bonds	$	69,548
Notes payable		11,937
Capital leases		9,935
Net adjustment to decrease *net changes in fund balances-total governmental funds* to arrive at *changes in net position of governmental activities*	**$**	**(78,763)**

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 $(4,230) difference for the Town are as follows:

Accrued interest	$	(2,364)
Compensated absences		14,811
Net other postemployment benefits obligation		(16,677)
Net adjustment to decrease *net changes in fund balances-total governmental funds* to arrive at *changes in net position of governmental activities*	**$**	**(4,230)**

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 February 1, a budget kick-off meeting is held and budget preparation packets are distributed by the Director of Finance to all department heads to assist in submittal of requested operating and capital departmental budgets for the upcoming fiscal year commencing July 1. Upon receipt of departmental budgetary information, the Director of Finance prepares a proposed draft version of the operating and capital budget and presents it to the Town Manager. Meetings with the Town Manager, Director of Finance, and department heads are held as necessary.

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)

A. Budgetary information (continued)

2. Prior to March 1, a proposed draft version of the operating and capital budget is presented to the Finance Committee. Budgetary work sessions are held by the Finance Committee during the month of March.

3. Prior to April 1, a proposed draft version of the operating and capital budget is presented to the Town Council. Budgetary work sessions are held by the Town Council during the month of April.

4. Prior to the May Town Council meeting, a public hearing is conducted to receive citizen comments on the proposed draft operating and capital budget.

5. Prior to June 30, the operating and capital budget is legally enacted through passage of an appropriations resolution by the Town Council. All proposed rates, licenses, fees and footnotes are attached to the adopted budget.

6. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the function level within an individual fund. The Director of Finance, with the approval of the Town Manager and department head(s), is authorized to transfer budgeted amounts between departments within the same fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.

7. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

8. Appropriations lapse on June 30, for all Town funds, unless they are carried forward by a resolution of Town Council.

B. Excess of expenditures over appropriations

For the year ended June 30, 2014, there were no funds with expenditures exceeding appropriations.

C. Deficit fund equity

At June 30, 2014, there were no funds with deficit fund equity.

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. According, all deposits are considered fully collateralized.

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, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Town does not have a formally adopted investment policy.

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
The Town had only State Non-Arbitrage Pool (SNAP) investments as of June 30, 2014.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
State Non-Arbitrage Program	$ 24,972
Total	$ 24,972

External Investment Pool
The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the external investment pool is the same as the value of the pool shares.

NOTE 5—RECEIVABLES:

Receivables as of June 30, 2014 for the Town's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Public Utilities Fund	Total
Receivables:			
Property taxes	$ 732,738	$ -	$ 732,738
Accounts	247,224	314,043	561,267
Unbilled and other	-	96,431	96,431
Gross receivables	**$ 979,962**	**$ 410,474**	**$ 1,390,436**
Less: allowance for uncollectibles	(32,399)	(14,398)	(46,797)
Net total receivables	**$ 947,563**	**$ 396,076**	**$ 1,343,639**

NOTE 6—INTERGOVERNMENTAL RECEIVABLES:

The following amounts represent receivables from other governments as of June 30, 2014:

		Primary Government
Commonwealth of Virginia:		
Rental tax	$	117
Fire program fund grant		2,420
Federal Government:		
State and community highway safety	$	1,240
Total	**$**	**3,777**

NOTE 7—UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling $3,831 is comprised of the following:

A. Police Seizures – Funds received as a result of police search and seizure that are awaiting court action totaled $3,831 at June 30, 2014.

NOTE 8—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES:

Deferred and unavailable revenue represents 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 and fund financial statements totaling $565,306 and $707,772, 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 $27,827 in the general fund 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 $537,479.

C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled $142,466 at June 30, 2014.

NOTE 9—CAPITAL ASSETS:

The following is a summary of the capital assets activity for the fiscal year ended June 30, 2014:

Governmental Activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 1,320,305	$ -	$ -	$ 1,320,305
Construction in progress	142,338	1,352,530	-	1,494,868
Total capital assets not being depreciated	$ 1,462,643	$ 1,352,530	$ -	$ 2,815,173
Capital assets being depreciated:				
Buildings	$ 691,013	$ -	$ -	$ 691,013
Improvements other than buildings	2,543,000	-	-	2,543,000
Infrastructure	11,958,958	153,577	-	12,112,535
Machinery and equipment	1,447,697	237,966	(137,070)	1,548,593
Total depreciable capital assets	$ 16,640,668	$ 391,543	$ (137,070)	$ 16,895,141
Accumulated depreciation for:				
Buildings	$ (279,678)	$ (13,445)	$ -	$ (293,123)
Improvements other than buildings	(915,275)	(118,266)	-	(1,033,541)
Infrastructure	(4,280,326)	(169,947)	-	(4,450,273)
Machinery and equipment	(1,102,510)	(92,883)	121,796	(1,073,597)
Total accumulated depreciation	$ (6,577,789)	$ (394,541)	$ 121,796	$ (6,850,534)
Total depreciable capital assets, net	$ 10,062,879	$ (2,998)	$ (15,274)	$ 10,044,607
Capital assets, net	**$ 11,525,522**	**$ 1,349,532**	**$ (15,274)**	**$ 12,859,780**

Depreciation expense was allocated to the functions/programs as follows:

General government administration	$ 5,908
Public safety	45,184
Public works	225,892
Parks and recreation	42,299
Community development	75,258
Total depreciation expense	**$ 394,541**

NOTE 9—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 171,915	$ -	$ -	$ 171,915
Construction in progress	182,515	-	-	182,515
Total capital assets not being depreciated	$ 354,430	$ -	$ -	$ 354,430
Capital assets being depreciated:				
Buildings	$ 33,891,070	$ -	$ -	$ 33,891,070
Improvements other than buildings	2,540,881	-	-	2,540,881
Infrastructure	8,340,874	-	-	8,340,874
Machinery and equipment	863,827	-	-	863,827
Total depreciable capital assets	$ 45,636,652	$ -	$ -	$ 45,636,652
Accumulated depreciation for:				
Buildings	$ (3,383,363)	$ (677,821)	$ -	$ (4,061,184)
Improvements other than buildings	(689,062)	(126,890)	-	(815,952)
Infrastructure	(2,628,596)	(111,212)	-	(2,739,808)
Machinery and equipment	(550,851)	(59,981)	-	(610,832)
Total accumulated depreciation	$ (7,251,872)	$ (975,904)	$ -	$ (8,227,776)
Total depreciable capital assets, net	$ 38,384,780	$ (975,904)	$ -	$ 37,408,876
Capital assets, net	**$ 38,739,210**	**$ (975,904)**	**$ -**	**$ 37,763,306**

The Town has entered into lease agreements for financing the acquisition of two police vehicles, and two public works vehicles. These leases are being treated as capital leases in accordance with accounting principles generally accepted in the United States of America. The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$ 170,183
Accumulated depreciation	(17,146)
Total	**$ 153,037**

NOTE 9—CAPITAL ASSETS: (CONTINUED)

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

Fiscal Year Ending June 30,		Governmental Activities
2015	$	35,709
2016		35,708
2017		35,709
2018		35,708
2019		35,708
Total minimum lease payments	**$**	**178,542**
Less: amount representing interest		(8,359)
Present value of minimum lease payments	**$**	**170,183**

NOTE 10—LONG-TERM OBLIGATIONS:

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

	Governmental Activities Long-term Obligations					
Year Ending	General Obligation Bonds		Capital Leases		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 72,912	$ 25,712	$ 32,952	$ 2,757	$ 105,864	$ 28,469
2016	74,995	23,630	33,485	2,223	108,480	25,853
2017	77,146	21,479	34,028	1,681	111,174	23,160
2018	79,369	19,256	34,579	1,129	113,948	20,385
2019	81,667	16,958	35,139	569	116,806	17,527
2020-2024	368,980	53,734	-	-	368,980	53,734
2025-2028	290,065	12,955	-	-	290,065	12,955
Total	**$ 1,045,134**	**$ 173,724**	**$ 170,183**	**$ 8,359**	**$ 1,215,317**	**$ 182,083**

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

	Business-type Activities Long-term Obligation	
Year Ending	General Obligation Bonds	
June 30,	Principal	Interest
2015	1,233,878	265,236
2016	1,248,983	245,414
2017	1,289,516	224,974
2018	1,125,497	207,606
2019	1,084,193	193,579
2020-2024	4,821,201	813,396
2025-2029	4,438,557	641,050
2030-2034	3,711,713	444,072
2035-2039	1,293,618	198,953
2040-2043	419,610	35,392
Total	**$ 20,666,766**	**$ 3,269,672**

The following is a summary of the long-term obligations of the Town for the year ended June 30, 2014:

	Amounts Payable July 1, 2013	Increases	Decreases	Amounts Payable June 30, 2014	Amount Due Within One Year
Primary Government:					
Governmental Activities					
General obligation bonds	$ 1,114,682	$ -	$ (69,548)	$ 1,045,134	$ 72,912
Notes payable	11,937	-	(11,937)	-	-
Capital lease obligations	9,935	170,183	(9,935)	170,183	32,952
Compensated absences	156,318	125,875	(140,686)	141,507	8,189
Total governmental activities	**$ 1,292,872**	**$ 296,058**	**$ (232,106)**	**$ 1,356,824**	**$ 114,053**
Business-type Activities					
General obligation bonds	$ 21,885,909	$ -	$ (1,219,143)	$ 20,666,766	$ 1,233,878
Premium on bond issue	124,560	-	(11,191)	113,369	11,192
Compensated absences	98,499	97,714	(88,649)	107,564	6,454
Total business-type activities	**$ 22,108,968**	**$ 97,714**	**$ (1,318,983)**	**$ 20,887,699**	**$ 1,251,524**
Total primary government	**$ 23,401,840**	**$ 393,772**	**$ (1,551,089)**	**$ 22,244,523**	**$ 1,365,577**

For governmental and business-type activities, compensated absences are liquidated by the General and Public Utilities Funds, respectively.

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

Primary Government – Governmental Activities:

General obligation bonds:

Series 1991 R-1, R-2, $534,000, issued September 24, 1991, payable in monthly installments of $1,952, through September 24, 2020, with interest at 5.0%	$	110,804
Series 2013, $1,000,000, issued March 29, 2013, payable in monthly installments of $6,556, through April 1, 2028, with interest at 2.26%		934,330
Sub-total general obligation bonds payable	**$**	**1,045,134**

Capital leases:

Capital lease for two Public Works vehicle and two police vehicles dated August 19, 2013, payable in five annual installments of $35,709 through August 19, 2018 with interest at 1.62%	**$**	**170,183**
Compensated absences payable	**$**	**141,507**
Total governmental activity long-term obligations	**$**	**1,356,824**

This space left blank intentionally.

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations: (continued)

Primary Government - Business-type Activities:

General obligation bonds:

Series 1991 R-1, $534,000, issued September 24, 1991, payable in monthly installments of $1,952, through September 24, 2020, with interest at 5.0%	$	83,351
Series 2002, $1,250,000, issued December 1, 2002, payable in monthly installments of $8,730, through December 11, 2018, with interest at 3.85%		432,276
Series 2003, $2,286,000, issued September 25, 2003, payable in monthly installments of $9,922, through September 25, 2020, with interest at 4.25%		1,976,819
Series 2006, $1,500,000, issued June 26, 2006, payable in annual installments of $138,330 through June 27, 2021, with interest at 4.36%		819,328
Series 2006, $4,561,156, issued September 27, 2006, payable in semi-annual installments of $114,029, beginning January 1, 2009 through July 1, 2028, bearing no interest		3,192,809
Series 2007, $13,917,296, issued November 9, 2007, payable in semi-annual installments of $278,346 beginning July 1, 2010 through January 1, 2035, bearing no interest		11,412,183
Series 2007B, $2,470,000, issued December 13, 2007, payable in variable annual installments, beginning October 1, 2008 through October 1, 2037, with variable interest rates		2,200,000
Series 2011B, $855,000, issued November 16, 2011, payable in variable annual installments, beginning November 1, 2012 through November 1, 2020, with variable interest rates		550,000
Sub-total general obligation bonds payable	**$**	**20,666,766**
Unamortized premium on general obligation bonds	**$**	**113,369**
Compensated absences payable	**$**	**107,564**
Total business-type activity long-term obligations	**$**	**20,887,699**

NOTE 11—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.

NOTE 11—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS − PLAN 1 (CONTINUED)

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

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

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

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

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

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

NOTE 11—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS − PLAN 1 (CONTINUED)

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.

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.

NOTE 11—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS − PLAN 1 (CONTINUED)

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.

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.

NOTE 11—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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.

NOTE 11—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS − PLAN 2 (CONTINUED)

9. **Service Retirement Multiplier -** Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

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

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 11—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 11—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.

NOTE 11—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. Vesting (Continued)

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.

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.

NOTE 11−PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

11. **Earliest Unreduced Retirement Eligibility**

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

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

12. **Earliest Reduced Retirement Eligibility**

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

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

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

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

    Defined Contribution Component – Not Applicable.

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

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

NOTE 11−PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

17. Purchase of Prior Service

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

Defined Contribution Component – Not Applicable.

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town of Woodstock is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town of Woodstock's contribution rates for the fiscal year ended 2014 was 16.95% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, Town's annual pension cost of $396,834 was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town

Fiscal Year Ended	Annual Pension Cost (APC)[1]	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$ 396,834	100.00%	$ -
June 30, 2013	390,332	100.00%	-
June 30, 2012	281,342	100.00%	-

[1]Employer portion

NOTE 11−PENSION PLAN: (CONTINUED)

C. Annual Pension Cost (Continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for 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.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 60.79% funded. The actuarial accrued liability for benefits was $11,377,448, and the actuarial value of assets was $6,915,826, resulting in an unfunded actuarial accrued liability (UAAL) of $4,461,622. The covered payroll (annual payroll of active employees covered by the plan) was $2,323,979 and ratio of the UAAL to the covered payroll was 191.98%.

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.

This space left blank intentionally.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS:

The Local Choice (TLC) Health Benefits Program:

A. Plan Description

Name of Plan:	The Local Choice Health Benefits Program (TLC)
Identification of Plan:	Agent Multiple-Employer Defined Benefit Healthcare Plan
Administering Entity:	Virginia Department of Human Resource Management (DHRM)

The Town participates in the TLC, which provides healthcare benefits to eligible retired Town employees and their beneficiaries. Eligibility for retiree healthcare coverage in the TLC mirrors the age and service criteria for the VRS reduced retirement, which stipulates that the retiree must be at least 55 years of age and have at least 5 years of service with the Town or at least 50 years of age and have at least 10 years of service with the Town. Title 2.2 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend the benefit provisions of the plans that participate in the TLC to the respective employer entities. The Commonwealth of Virginia issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the TLC. A copy of that report can be downloaded from the website at http://www.doa.virginia.gov/Financial_Reporting/CAFR/2013/2013CAFR.pdf or by writing to the Virginia Department of Human Resource Management at 101 North 14th Street, 12th Floor, Richmond, VA 23219.

B. Funding Policy

Pursuant to Title 2.2 of the Code of Virginia (1950), as amended, the DHRM establishes contribution rates for TLC participants on an annual basis. The Town's contribution rates are blended; in a blended program, the rates for active employees and retirees are the same. Retired employees pay 100% of the blended rate. Coverage ceases when retirees become eligible for Medicare.

This space left blank intentionally.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

TLC Health Benefits Program: (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost is based on the *annual required contribution of the employer (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 (of funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual Required Contribution (ARC)	$	42,000
Interest on OPEB Obligation		6,200
Adjustment to ARC		(6,500)
Annual OPEB cost	$	41,700
Contributions Made		(18,000)
Increase in Net OPEB Obligation	$	23,700
Net OPEB Obligation - beginning of year		156,200
Net OPEB Obligation - end of year	$	179,900

For fiscal year 2014, the Town's expected cash payment of $18,000 was $23,700 short of the OPEB cost. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years are as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2014	$	41,700	42.86%	$	179,900
6/30/2013		40,500	46.70%		156,200
6/30/2012		39,000	36.90%		134,600

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

TLC Health Benefits Program: (continued)

D. Funded Status and Funding Progress.

The funded status of the plan as of June 30, 2014 is as follows:

Actuarial accrued liability (AAL)	$	518,752
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability (UAAL)	$	518,752
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Annual covered payroll	$	2,313,733
UAAL as of percentage of covered payroll		22.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 include 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 actuarial valuation of the liabilities as of January 1, 2011 was based on the entry age actuarial cost method. The actuarial assumptions included a 4.00% investment rate of return on assets and an annual healthcare cost trend rate of 9.00% initially, reduced by decrements of 1.00% per year until an ultimate rate of 5.00% is reached. The assumptions also included a 4.00% interest discount rate. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30-year amortization period.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Health Insurance Credit Program:

A. Plan Description

Name of Plan:	Health Insurance Credit Program
Identification of Plan:	Agent Multiple-Employer Defined Benefit OPEB plan
Administering Entity:	Virginia Retirement System (VRS)

The Town participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. 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 health insurance 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.

Localities may elect to provide an additional health insurance credit of $1 per month for each full year of the retired members' creditable service, not to exceed a maximum monthly credit of $30. The enhanced credit is available for constitutional offices and their employees, local social services employees, and general registrars and their employees. Whereas the $1.50 health credit cost is borne by the Commonwealth, the costs of such additional health insurance credit shall be borne by the locality.

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 all credits provided, reflects the costs 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 11.

B. Funding Policy

As a participating local political subdivision, the Town 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 0.32% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation

The annual cost of 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.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Health Insurance Credit Program: (continued)

C. OPEB Cost and Net OPEB Obligation (Continued)

For fiscal year 2014, the Town's contribution of $7,492 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 fiscal year 2014 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2014	$ 7,492	100.00%	$ -
June 30, 2013	7,369	100.00%	-
June 30, 2012	6,621	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$ 127,513
Actuarial value of plan assets	$ 46,959
Unfunded actuarial accrued liability (UAAL)	$ 80,554
Funded ratio (actuarial value of plan assets/ AAL)	36.83%
Covered payroll (active plan members)	$ 2,323,979
UAAL as a percentage of covered payroll	3.47%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the 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 Health Insurance Credit Program benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

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 liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Health Insurance Credit Program: (continued)

E. Actuarial Methods and Assumptions

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 7.00% investment rate of return, compounded annually, including inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2014 was 30 years.

NOTE 13—SURETY BONDS:

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 in 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.

NOTE 14—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters 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.

NOTE 15—CONTINGENT LIABILITIES:

The Town receives grant funds, principally from the federal government, for construction and various other programs. Certain expenditures of these funds are subject to audit by the grantor, and the Town is contingently liable to refund amounts in excess of allowable expenditures. In the opinion of the Town management, no material refunds will be required as a result of expenditures disallowed by grantors.

The Town is responsible for the refunding of arbitrage interest incurred on the unexpended proceeds of certain bond issues. The amount of this arbitrage, if any, is estimated to be immaterial.

NOTE 16—SUBSEQUENT EVENTS:

On November 19, the Town completed an advance refunding through the VRA of its series 2007-B bond issue. The town expects present value savings of $118,013 as a result.

NOTE 17—UPCOMING PRONOUNCEMENTS:

The GASB 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 area 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.

This space left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 1,049,800	$ 1,049,800	$ 1,124,109	$ 74,309
Other local taxes	2,032,000	2,032,000	2,196,782	164,782
Permits, privilege fees, and regulatory licenses	363,000	363,000	368,553	5,553
Fines and forfeitures	36,000	42,790	101,910	59,120
Revenue from the use of money and property	14,300	14,300	6,203	(8,097)
Charges for services	218,900	218,900	229,572	10,672
Miscellaneous	12,500	12,500	34,220	21,720
Intergovernmental:				
Commonwealth	917,891	917,891	1,040,045	122,154
Federal	9,000	9,000	15,567	6,567
Total revenues	$ 4,653,391	$ 4,660,181	$ 5,116,961	$ 456,780
EXPENDITURES				
Current:				
General government administration	$ 850,825	$ 850,825	840,874	$ 9,951
Public safety	1,905,670	1,916,860	1,819,715	97,145
Public works	1,524,390	1,524,390	1,630,325	(105,935)
Parks and recreation	225,750	225,750	181,503	44,247
Community development	295,225	295,225	255,927	39,298
Capital projects	1,641,200	1,688,960	1,590,497	98,463
Debt service:				
Principal retirement	93,000	93,000	91,420	1,580
Interest and other fiscal charges	28,500	28,500	29,839	(1,339)
Total expenditures	$ 6,564,560	$ 6,623,510	$ 6,440,100	$ 183,410
Excess (deficiency) of revenues over (under) expenditures	$ (1,911,169)	$ (1,963,329)	$ (1,323,139)	$ 640,190
OTHER FINANCING SOURCES (USES)				
Bonds issued	$ 1,141,200	$ 1,141,200	-	$ (1,141,200)
Capital leases	-	-	170,183	170,183
Transfers out	(44,031)	(44,031)	-	44,031
Total other financing sources and uses	$ 1,097,169	$ 1,097,169	$ 170,183	$ (926,986)
Net change in fund balance	$ (814,000)	$ (866,160)	$ (1,152,956)	$ (286,796)
Fund balance - beginning	814,000	866,160	3,872,209	3,006,049
Fund balance - ending	$ -	$ -	$ 2,719,253	$ 2,719,253

Schedule of Pension Funding Progress
June 30, 2014

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	$ 6,915,826	$ 11,377,448	$ 4,461,622	60.79%	$ 2,323,979	191.98%
06/30/12	6,598,728	11,051,383	4,452,655	59.71%	2,192,508	203.09%
06/30/11	6,636,862	10,741,098	4,104,236	61.79%	2,233,656	183.75%

Schedule of OPEB Funding Progress
June 30, 2014

Town Other Postemployment Benefit Program:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
01/01/11 ®	$ -	$ 518,752	$ 518,752	0.00%	$ 2,313,733	22.42%
01/01/11	-	482,100	482,100	0.00%	2,257,300	21.36%
01/01/08	-	349,000	349,000	0.00%	2,239,000	15.59%

® = Roll-forward of valuation date results

Note: The implementation year of GASB Statement No. 45 was fiscal year 2009.

Health Care Credit Plan Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	$ 46,959	$ 127,513	$ 80,554	36.83%	$ 2,323,979	3.47%
06/30/12	42,470	121,738	79,268	34.89%	2,192,508	3.62%
06/30/11	41,489	118,749	77,260	34.94%	2,233,656	3.46%

OTHER SUPPLEMENTARY INFORMATION

Town of Woodstock, Virginia **Schedule 1**

Computation of Legal Debt Margin
At June 30, 2014

Total Assessed Value of Real Estate	$	553,348,600
Legal Debt Margin:	$	55,334,860
Less: Gross Indebtedness		(1,215,317)
Legal Margin for Creation of Additional Debt	$	54,119,543

Excludes enterprise fund indebtedness, notes payable and capital lease obligations

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Statistical Section

This part of the Town of Woodstock's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends	1-4
These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	5-9
These tables contain information to help the reader assess the Town's most significant local revenue source, property taxes.	
Debt Capacity	10-12
These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
Demographic and Economic Information	13-14
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	
Operating Information	15-17
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

Town of Woodstock, Virginia

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
Governmental activities				
Net investment in capital assets	$ 7,178,712	$ 7,350,016	$ 9,355,940	$ 9,448,747
Restricted	214,084	221,062	113,081	113,081
Unrestricted	1,026,098	1,198,590	817,974	1,032,218
Total governmental activities net position	$ 8,418,894	$ 8,769,668	$ 10,286,995	$ 10,594,046
Business-type activities				
Net investment in capital assets	$ 1,634,327	$ 2,574,226	$ 3,735,882	$ 6,228,020
Restricted	-	30,085	35,785	40,160
Unrestricted	1,745,648	1,599,126	2,458,385	1,651,143
Total business-type activities net position	$ 3,379,975	$ 4,203,437	$ 6,230,052	$ 7,919,323
Primary government				
Net investment in capital assets	$ 8,813,039	$ 9,924,242	$ 13,091,822	$ 15,676,767
Restricted	214,084	251,147	148,866	153,241
Unrestricted	2,771,746	2,797,716	3,276,359	2,683,361
Total primary government net position	$ 11,798,869	$ 12,973,105	$ 16,517,047	$ 18,513,369

Table 1

Fiscal Year					
2009	**2010**	**2011**	**2012**	**2013**	**2014**
$ 10,512,039	$ 11,988,383	$ 11,767,180	$ 11,564,646	$ 11,379,865	$ 11,787,556
-	-	-	-	7,604	-
1,379,844	1,839,493	2,397,512	2,916,634	2,774,479	2,456,615
$ 11,891,883	$ 13,827,876	$ 14,164,692	$ 14,481,280	$ 14,161,948	$ 14,244,171
$ 15,252,251	$ 15,531,479	$ 16,255,641	$ 16,390,921	$ 16,722,638	$ 17,013,876
-	-	-	-	-	-
551,162	1,222,630	1,424,895	1,471,213	1,679,715	1,551,902
$ 15,803,413	$ 16,754,109	$ 17,680,536	$ 17,862,134	$ 18,402,353	$ 18,565,778
$ 25,764,290	$ 27,519,862	$ 28,022,821	$ 27,955,567	$ 28,102,503	$ 28,801,432
-	-	-	-	7,604	-
1,931,006	3,062,123	3,822,407	4,387,847	4,454,194	4,008,517
$ 27,695,296	$ 30,581,985	$ 31,845,228	$ 32,343,414	$ 32,564,301	$ 32,809,949

Town of Woodstock, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government administration	$ 1,131,241	$ 1,082,967	$ 1,302,641	$ 662,189
Judicial administration	33,685	40,754	-	-
Public safety	906,783	975,065	1,115,735	1,515,604
Public works	1,087,173	1,509,217	1,332,496	1,473,509
Parks and recreation	-	-	-	-
Community development	45,764	47,127	98,665	207,147
Interest on long-term debt	43,454	38,327	29,928	20,567
Total governmental activities expenses	$ 3,248,100	$ 3,693,457	$ 3,879,465	$ 3,879,016
Business-type activities:				
Water and sewer	$ 1,991,105	$ 2,125,385	$ 2,483,608	$ 2,694,088
Recreation	170,251	206,819	209,233	253,660
Total business-type activities expenses	$ 2,161,356	$ 2,332,204	$ 2,692,841	$ 2,947,748
Total primary government expenses	$ 5,409,456	$ 6,025,661	$ 6,572,306	$ 6,826,764
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	$ 68,166	$ 271,006	$ 122,235	$ 42,750
Judicial administration	35,645	59,301	-	-
Public safety	-	-	-	40,414
Public works	-	-	-	86,617
Parks and recreation	-	-	-	-
Community development	1,718	-	-	-
Operating grants and contributions:				
Public safety	140,392	155,842	185,228	136,678
Public works	461,594	-	-	-
Community development	-	-	-	-
Capital grants and contributions:				
Public works	-	543,557	3,031,455	538,481
Parks and recreation	-	-	-	-
Community development	-	-	28,899	58,489
Total governmental activities program revenues	$ 707,515	$ 1,029,706	$ 3,367,817	$ 903,429
Business-type activities:				
Charges for services:				
Water and sewer	$ 1,483,379	$ 1,689,056	$ 1,945,444	$ 2,429,330
Recreation	33,249	37,969	38,398	44,619
Capital grants and contributions:				
Water and sewer	591,712	924,106	1,299,239	1,854,371
Recreation	-	250,000	-	-
Total business-type activities program revenues	$ 2,108,340	$ 2,901,131	$ 3,283,081	$ 4,328,320
Total primary government program revenues	$ 2,815,855	$ 3,930,837	$ 6,650,898	$ 5,231,749

Table 2

Fiscal Year					
2009	**2010**	**2011**	**2012**	**2013**	**2014**
$ 523,267	$ 537,743	$ 732,891	$ 701,454	$ 843,966	$ 828,451
-	-	-	-	-	-
1,545,926	1,463,009	1,352,205	1,458,135	1,739,156	1,878,638
1,567,715	1,611,231	1,567,676	1,588,522	1,545,390	1,724,374
-	229,804	256,685	268,582	240,960	223,802
238,157	283,696	262,583	311,986	318,861	331,185
13,835	11,668	8,925	10,075	14,290	32,203
$ 3,888,900	$ 4,137,151	$ 4,180,965	$ 4,338,754	$ 4,702,623	$ 5,018,653
$ 2,905,148	$ 3,025,061	$ 3,173,607	$ 3,608,263	$ 3,431,982	$ 3,500,570
243,486	-	-	-	-	-
$ 3,148,634	$ 3,025,061	$ 3,173,607	$ 3,608,263	$ 3,431,982	$ 3,500,570
$ 7,037,534	$ 7,162,212	$ 7,354,572	$ 7,947,017	$ 8,134,605	$ 8,519,223
$ 28,457	$ 25,650	$ 31,161	$ 13,490	$ 11,640	$ -
-	-	-	-	-	-
48,639	40,930	38,766	44,209	34,551	101,910
163,163	165,537	166,982	169,697	171,530	171,920
-	43,113	52,393	56,899	50,670	57,652
-	-	-	-	-	-
136,650	135,004	126,503	126,259	121,228	135,933
-	13,847	-	50,483	8,500	-
-	-	750	-	750	750
610,254	606,267	636,447	667,173	578,173	806,634
-	5,178	9,136	71,386	-	-
1,003,602	70,049	-	-	-	-
$ 1,990,765	$ 1,105,575	$ 1,062,138	$ 1,199,596	$ 977,042	$ 1,274,799
$ 2,683,843	$ 2,815,129	$ 3,191,737	$ 3,160,050	$ 3,429,399	$ 3,456,904
38,919	-	-	-	-	-
8,046,109	2,726,391	891,093	501,146	192,580	153,116
-	-	-	-	-	-
$ 10,768,871	$ 5,541,520	$ 4,082,830	$ 3,661,196	$ 3,621,979	$ 3,610,020
$ 12,759,636	$ 6,647,095	$ 5,144,968	$ 4,860,792	$ 4,599,021	$ 4,884,819

Town of Woodstock, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Net (expense)/revenue				
Governmental activities	$ (2,540,585)	$ (2,663,751)	$ (511,648)	$ (2,975,587)
Business-type activities	(53,016)	568,927	590,240	1,380,572
Total primary government net expense	$ (2,593,601)	$ (2,094,824)	$ 78,592	$ (1,595,015)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	$ 749,738	$ 845,319	$ 1,065,356	$ 1,082,654
Other local taxes				
Vehicle license	88,001	95,349	109,652	95,500
Local sales and use	183,516	200,523	190,179	203,660
Consumers' utility	133,067	150,020	112,238	84,238
Telecommunications	-	-	46,266	107,894
Bank franchise	-	-	143,085	156,003
Meals	767,370	894,632	912,956	908,132
Transient occupancy	85,519	81,509	80,770	130,343
Business license	311,742	358,754	393,367	364,902
Other local taxes	220,814	304,922	123,228	145,135
Unrestricted revenues from use of money and property	16,011	106,304	72,635	45,753
Miscellaneous	18,300	35,255	72,584	42,632
Grants and contributions not restrcited to specific programs	105,634	111,548	114,805	115,792
Transfers	(165,938)	(181,660)	(635,062)	(200,000)
Total governmental activities	$ 2,513,774	$ 3,002,475	$ 2,802,059	$ 3,282,638
Business-type activities:				
Unrestricted revenues from use of money and property	$ 14,098	$ 95,084	$ 146,764	$ 106,998
Miscellaneous	9,410	2,785	500	1,701
Transfers	165,938	181,660	635,062	200,000
Total business-type activities	$ 189,446	$ 279,529	$ 782,326	$ 308,699
Change in Net Position				
Governmental activities	$ (26,811)	$ 338,724	$ 2,290,411	$ 307,051
Business-type activities	136,430	848,456	1,372,566	1,689,271
Total primary government	$ 109,619	$ 1,187,180	$ 3,662,977	$ 1,996,322

Table 2

Fiscal Year					
2009	**2010**	**2011**	**2012**	**2013**	**2014**
$ (1,898,135)	$ (3,031,576)	$ (3,118,827)	$ (3,139,158)	$ (3,725,581)	$ (3,743,854)
7,620,237	2,516,459	909,223	52,933	189,997	109,450
$ 5,722,102	$ (515,117)	$ (2,209,604)	$ (3,086,225)	$ (3,535,584)	$ (3,634,404)
$ 1,091,836	$ 1,081,463	$ 1,069,706	$ 1,069,173	$ 1,112,158	$ 1,108,023
96,943	97,503	95,332	92,933	101,392	92,464
205,454	180,407	189,043	196,487	225,920	224,692
82,881	84,408	86,170	87,174	89,017	89,167
98,032	98,442	97,955	95,963	96,217	94,581
148,090	175,542	185,327	158,354	151,641	199,737
855,044	887,187	914,462	981,733	1,010,919	1,005,123
129,090	143,360	176,252	185,699	202,993	210,788
349,238	342,759	335,139	338,655	351,892	368,553
139,892	137,308	122,606	140,291	301,822	280,230
27,240	23,683	18,866	20,844	14,734	6,203
60,940	15,724	53,236	86,755	23,012	34,220
111,292	111,491	111,549	111,685	112,208	112,296
(200,000)	1,588,292	-	(110,000)	(387,676)	-
$ 3,195,972	$ 4,967,569	$ 3,455,643	$ 3,455,746	$ 3,406,249	$ 3,826,077
$ 48,588	$ 22,529	$ 17,204	$ 18,665	$ 12,546	$ 3,975
15,265	-	-	-	-	-
200,000	(1,588,292)	-	110,000	387,676	-
$ 263,853	$ (1,565,763)	$ 17,204	$ 128,665	$ 400,222	$ 3,975
$ 1,297,837	$ 1,935,993	$ 336,816	$ 316,588	$ (319,332)	$ 82,223
7,884,090	950,696	926,427	181,598	590,219	113,425
$ 9,181,927	$ 2,886,689	$ 1,263,243	$ 498,186	$ 270,887	$ 195,648

Town of Woodstock, Virginia

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
General Fund				
Reserved	$ 214,084	$ 221,062	$ 113,081	$ 113,081
Unreserved	1,087,486	1,373,871	874,871	1,083,603
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	$ 1,301,570	$ 1,594,933	$ 987,952	$ 1,196,684
Total governmental funds	$ 1,301,570	$ 1,594,933	$ 987,952	$ 1,196,684

Table 3

Fiscal Year					
2009	**2010**	**2011**	**2012**	**2013**	**2014**
$ 115,481	$ 15,725	$ -	$ -	$ -	$ -
1,353,606	1,916,903	-	-	-	-
-	-	41,165	48,654	23,319	23,211
-	-	-	-	998,500	143,093
-	-	375,000	420,000	265,000	220,000
-	-	110,000	387,676	649,000	75,000
-	-	1,977,281	2,127,394	1,936,390	2,257,949
$ 1,469,087	$ 1,932,628	$ 2,503,446	$ 2,983,724	$ 3,872,209	$ 2,719,253
$ 1,469,087	$ 1,932,628	$ 2,503,446	$ 2,983,724	$ 3,872,209	$ 2,719,253

Town of Woodstock, Virginia

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
Revenues				
General property taxes	$ 756,038	$ 855,842	$ 1,015,859	$ 1,057,663
Other local taxes	1,390,286	1,631,606	1,686,953	1,828,063
Permits, privilege fees, and regulatory licenses	469,627	725,109	451,296	407,652
Fines and forfeitures	35,645	59,301	64,306	40,414
Revenue from the use of money and property	16,011	106,304	72,635	45,753
Charges for service	-	-	-	86,617
Miscellaneous	49,150	35,255	72,584	42,632
Intergovernmental:				
Commonwealth	707,620	753,572	789,156	783,395
Federal	-	57,375	47,900	66,045
Total revenues	$ 3,424,377	$ 4,224,364	$ 4,200,689	$ 4,358,234
Expenditures				
General government administration	$ 958,146	$ 1,064,493	$ 1,290,391	$ 655,720
Judicial administration	33,685	40,754	-	-
Public safety	780,857	849,818	1,108,099	1,497,079
Public works	1,047,067	1,293,284	1,099,361	1,231,418
Parks and recreation	-	-	-	-
Community development	45,764	45,224	98,665	207,147
Capital projects	447,042	302,189	156,560	188,931
Debt service:				
Principal	206,580	197,637	223,301	222,521
Interest and other fiscal charges	43,454	38,327	29,928	20,567
Total expenditures	$ 3,562,595	$ 3,831,726	$ 4,006,305	$ 4,023,383
Excess of revenues over (under) expenditures	$ (138,218)	$ 392,638	$ 194,384	$ 334,851
Other financing sources (uses)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	(165,938)	(181,660)	(635,062)	(200,000)
Sale of equipment	-	-	-	-
Issuance of indebtedness	277,405	-	-	73,881
Total other financing sources (uses)	$ 111,467	$ (181,660)	$ (635,062)	$ (126,119)
Net change in fund balances	$ (26,751)	$ 210,978	$ (440,678)	$ 208,732
Debt service as a percentage of noncapital expenditures	7.88%	6.66%	6.58%	6.34%

Table 4

Fiscal Year					
2009	**2010**	**2011**	**2012**	**2013**	**2014**
$ 1,101,680	$ 1,072,371	$ 1,067,235	$ 1,062,487	$ 1,110,457	$ 1,124,109
1,752,017	1,808,073	1,863,818	1,934,808	2,180,418	2,196,782
377,695	368,409	366,300	352,145	363,532	368,553
48,639	40,930	38,766	44,209	34,551	101,910
27,240	23,683	18,866	20,844	14,734	6,203
163,163	208,649	219,375	226,596	222,200	229,572
60,940	15,724	53,236	62,254	23,012	34,220
848,994	922,673	862,786	904,391	813,057	1,040,045
1,012,804	19,163	21,596	86,894	7,803	15,567
$ 5,393,172	$ 4,479,675	$ 4,511,978	$ 4,694,628	$ 4,769,764	$ 5,116,961
$ 501,546	$ 521,139	$ 711,620	$ 684,415	$ 822,722	$ 840,874
-	-	-	-	-	-
1,505,471	1,432,595	1,352,755	1,411,996	1,688,741	1,819,715
1,318,209	1,375,118	1,338,803	1,375,285	1,312,920	1,630,325
-	190,834	214,514	222,624	198,497	181,503
195,244	210,846	187,965	237,368	243,763	255,927
1,273,538	218,784	145,713	145,422	162,105	1,590,497
112,926	116,812	44,289	41,667	52,431	91,420
13,835	11,668	8,925	10,074	12,424	29,839
$ 4,920,769	$ 4,077,796	$ 4,004,584	$ 4,128,851	$ 4,493,603	$ 6,440,100
$ 472,403	$ 401,879	$ 507,394	$ 565,777	$ 276,161	$ (1,323,139)
$ -	$ 35,947	$ -	$ -	$ -	$ -
(200,000)	-	-	(110,000)	(387,676)	-
-	-	-	24,501	-	-
-	25,715	63,424	-	1,000,000	170,183
$ (200,000)	$ 61,662	$ 63,424	$ (85,499)	$ 612,324	$ 170,183
$ 272,403	$ 463,541	$ 570,818	$ 480,278	$ 888,485	$ (1,152,956)
3.48%	3.33%	1.38%	1.30%	1.49%	1.84%

Town of Woodstock, Virginia

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Cable TV Gross Receipts Tax	Bank Franchise Tax
2014	$ 1,124,109	$ 224,692	$ 89,167	$ -	$ 199,737
2013	1,110,457	225,920	89,017	-	151,641
2012	1,062,487	196,487	87,174	-	158,354
2011	1,067,235	189,043	86,170	-	185,237
2010	1,072,371	180,407	84,408	-	175,542
2009	1,101,680	205,454	82,881	-	148,090
2008	1,057,663	203,660	84,238	-	156,003
2007	1,015,859	190,179	112,238	24,901	143,085
2006	855,842	200,523	150,020	42,756	158,867
2005	756,038	183,516	133,067	36,791	138,982

Note: Effective January 1, 2007, Cable TV Franchise Tax and Consumer Utility Tax from telephone services are remitted to the Virginia Department of Taxation and then distributed to the Town on a monthly basis. Revenue received after January 1, 2007 are reported as noncategorical aid.

Table 5

Cigarette Tax	Meals Tax	Transient Occupancy Tax	Public Right-of-Way Fees	Motor Vehicle Licenses	Business & Occupational Licenses
$ 239,386	$ 1,005,123	$ 210,788	$ 30,183	$ 92,464	$ 368,553
257,618	1,010,919	202,993	29,265	101,888	351,892
105,627	981,733	185,699	27,274	89,107	337,505
89,186	914,462	176,252	25,663	92,003	333,448
98,658	887,187	143,360	30,647	101,420	341,657
100,473	855,044	129,090	25,627	93,534	349,238
108,838	908,132	130,343	25,663	92,658	364,902
55,697	912,956	80,770	42,630	78,231	393,367
50,933	894,632	81,509	52,366	95,349	358,754
45,041	767,370	85,519	-	88,001	311,742

Town of Woodstock, Virginia

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

					Public Service Corporations	
Fiscal Year	**Real Estate**	**Personal Property**	**Mobile Homes**	**Machinery and Tools**	**Real Estate**	**Personal Property**
2014	$ 553,348,600	$ 39,522,456	$ 19,550	$ 222,993	$ 15,230,369	$ 32,912
2013	548,482,400	38,631,400	8,800	251,540	14,446,771	30,343
2012	543,301,050	37,898,588	8,800	225,921	13,444,742	30,019
2011	540,494,350	37,205,546	10,650	253,815	14,594,334	12,611
2010	524,933,000	38,463,158	14,244	312,677	11,372,398	-
2009	506,926,050	40,800,316	22,974	293,816	9,948,559	-
2008	496,135,150	40,752,942	25,357	310,650	10,292,933	-
2007	474,878,500	38,113,148	37,161	329,589	10,257,998	-
2006	382,894,900	35,110,950	43,412	340,685	7,785,045	27,500
2005	298,892,650	31,358,965	30,548	342,586	10,933,540	43,063

Note: Real and personal property tax assessments are made by the Commissioner of Revenue for the County of Shenandoah, Virginia. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.

Table 6

Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Direct Rate
$ 608,376,880	$ 608,376,880	100%	$ 0.20
601,851,254	601,851,254	100%	0.20
594,909,120	594,909,120	100%	0.20
592,571,306	592,571,306	100%	0.20
575,095,477	575,095,477	100%	0.21
557,991,715	557,991,715	100%	0.22
547,517,032	547,517,032	100%	0.22
523,616,396	523,616,396	100%	0.22
426,202,492	426,202,492	100%	0.24
341,601,352	341,601,352	100%	0.26

Town of Woodstock, Virginia

Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates				Overlapping Rates County of Shenandoah, Virginia			
Fiscal Years	**Real Estate**	**Personal Property**	**Mobile Homes**	**Machinery and Tools**	**Real Estate**	**Personal Property**	**Mobile Homes**	**Machinery and Tools**
2014	$ 0.15	$ 0.90	$ 0.15	$ 0.90	$ 0.57	$ 3.50	$ 0.57	$ 3.15
2013	0.15	0.90	0.15	0.90	0.51/0.54	3.50	0.51/0.54	3.15
2012	0.15	0.90	0.15	0.90	0.47/0.51	3.15	0.47/0.51	3.15
2011	0.15	0.90	0.15	0.90	0.47	3.15	0.47	3.15
2010	0.16/0.15	0.90	0.16/0.15	0.90	0.47	3.15	0.47	3.15
2009	0.16	0.90	0.16	0.90	0.51	3.15	0.51	3.15
2008	0.16	0.90	0.16	0.90	0.51	2.86	0.51	2.86
2007	0.16	0.90	0.16	0.90	0.51	2.86	0.51	2.86
2006	0.19/0.16	0.90	0.19/0.16	0.90	0.51	2.86	0.51	2.86
2005	0.19	0.90	0.19	0.90	0.68	2.86	0.68	2.86

(1) Per $100 of assessed value

Table 7

Combined Rates			
Real Estate	Personal Property	Mobile Homes	Machinery and Tools
$ 0.72	$ 4.40	$ 0.72	$ 4.05
0.66/0.69	4.40	0.66/0.69	4.05
0.62/0.66	4.05	0.62/0.66	$ 4.05
0.62	4.05	0.62	4.05
0.63/0.62	4.05	0.63/0.62	4.05
0.67	4.05	0.67	4.05
0.67	3.76	0.67	3.76
0.67	3.76	0.67	3.76
0.70/0.67	3.76	0.70/0.67	3.76
0.87	3.76	0.87	3.76

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2014 2014 Assessed Valuation	Fiscal Year 2014 % of Total Assessed Valuation
Lowes Home Center LLC	Retail Store	$ 9,499,400	1.71%
Wal-Mart	Retail Store	9,269,000	1.67%
French Brothers LLC	Investment Properties	9,276,100	1.67%
Spectrum 1 Woodstock LLC	Shopping Center	6,801,800	1.23%
Shree Ganesh Hospitality	Hotel	6,017,100	1.08%
LH & H LLC	Hotel	6,014,300	1.08%
Interstate Investment Property LLC	Commercial Development	5,513,700	0.99%
Toothman Investments	Housing Development	5,498,600	0.99%
HCP Virginia, Inc.	Assisted Living	5,285,500	0.95%
Walter Enterprises	Shopping Center	5,184,000	0.93%
		$ 68,359,500	12.31%

Taxpayer	Type Business	Fiscal Year 2005 2005 Assessed Valuation	Fiscal Year 2005 % of Total Assessed Valuation
Wal-Mart	Shopping Center	5,653,000	1.65%
HCP Virginia	Shopping Center	4,797,300	1.40%
Shenandoah Square - Woodstock LLC	Shopping Center	4,316,000	1.26%
Woodstock Associates Limited Partnership	Apartment Building	3,490,300	1.02%
Walter Enterprises	Shopping Center	3,438,800	1.00%
Shree Ganesh Hospitality	Motel	2,882,500	0.84%
Harrisonburg Hotel LLC	Hotel	2,658,000	0.77%
Reverse Associates	Apartment Building	2,507,800	0.73%
Shenandoah Associates	Apartment Building	2,355,800	0.69%
The Shopping Center	Shopping Center	2,235,300	0.65%
		$ 34,334,800	10.00%

Source: Assessed values per the Commissioner of Revenue for the County of Shenandoah, Virginia

Property Tax Levies and Collections
Last Six Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	$ 1,186,626	$ 1,097,131	92.46%	$ -	$ 1,097,131	92.46%
2013	1,186,626	1,135,380	95.68%	33,943	1,169,323	98.54%
2012	1,172,960	1,112,675	94.86%	48,429	1,161,104	98.99%
2011	1,167,708	1,112,614	95.28%	45,339	1,157,953	99.16%
2010	1,176,238	1,122,088	95.40%	50,608	1,172,696	99.70%
2009	1,194,169	1,139,443	95.42%	49,188	1,188,631	99.54%

Source: Department of Finance

(1) Current collections include PPTRA reimbursement from the Commonwealth of Virginia.

Information is not available prior to fiscal year 2009; it is the goal of the Town to achieve ten fiscal years of this information in the future.

Town of Woodstock, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities			Business-type Activities	
Fiscal Year	**General Obligation Bonds**	**Notes Payable**	**Capital Leases**	**General Obligation Bonds**	**Capital Leases**
2014	$ 1,045,134	$ -	$ 170,183	$ 20,780,135	$ -
2013	1,114,682	11,937	9,935	22,010,469	-
2012	137,123	23,476	28,386	23,226,539	-
2011	149,811	34,615	46,226	24,336,748	-
2010	179,166	-	32,352	25,361,012	3,871
2009	173,363	-	44,221	22,659,145	18,712
2008	214,946	-	115,564	11,865,398	32,570
2007	373,371	-	105,780	9,024,211	-
2006	523,701	-	178,751	9,372,364	-
2005	666,765	5,544	227,780	5,305,856	-

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 13

Table 10

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
$ 21,995,452	12.15%	4,254
23,147,023	12.78%	4,476
23,415,524	12.93%	4,528
24,567,400	15.00%	4,787
25,576,401	15.72%	5,018
22,895,441	16.47%	5,331
12,228,478	9.37%	2,844
9,503,362	7.51%	2,219
10,074,816	8.34%	2,361
6,205,945	5.49%	1,475

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2014	$ 21,825,269	$ -	$ 21,825,269	3.59%	$ 4,221
2013	23,125,151	-	23,125,151	3.84%	4,472
2012	23,363,662	-	23,363,662	3.93%	4,518
2011	24,486,559	-	24,486,559	4.13%	4,771
2010	25,540,178	-	25,540,178	4.44%	5,011
2009	22,832,508	-	22,832,508	4.09%	5,316
2008	12,080,344	-	12,080,344	2.21%	2,809
2007	9,397,582	-	9,397,582	1.79%	2,194
2006	9,896,065	-	9,896,065	2.32%	2,319
2005	5,972,621	-	5,972,621	1.75%	1,420

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6
(3) Includes all long-term general obligation debt. Excludes notes payable, capital leases and compensated absences.

THIS PAGE LEFT BLANK INTENTIONALLY

Town of Woodstock, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
Assessed Valuations				
Assessed value of taxed real property	$ 298,892,650	$ 382,894,900	$ 474,878,500	$ 496,135,150
Legal debt margin				
Debt limit - 10 percent of total assessed value	$ 29,889,265	$ 38,289,490	$ 47,487,850	$ 49,613,515
Debt applicable to limitation:				
Total bonded debt	$ 5,972,621	$ 9,896,065	$ 9,397,582	$ 12,080,344
Less: Business-type activities bonds	(5,305,856)	(9,372,364)	(9,024,211)	(11,865,398)
Total amount of debt applicable to debt limitation	$ 666,765	$ 523,701	$ 373,371	$ 214,946
Legal debt margin	$ 29,222,500	$ 37,765,789	$ 47,114,479	$ 49,398,569
Total net debt applicable to the limit as a percentage of debt limit	2.23%	1.37%	0.79%	0.43%

Table 12

Fiscal Year					
2009	**2010**	**2011**	**2012**	**2013**	**2014**
$ 506,926,050	$ 524,933,000	$ 540,494,350	$ 543,301,050	$ 548,482,400	$ 553,348,600
$ 50,692,605	$ 52,493,300	$ 54,049,435	$ 54,330,105	$ 54,848,240	$ 55,334,860
$ 22,832,508	$ 25,540,178	$ 24,486,559	$ 23,363,662	$ 23,125,151	$ 21,825,269
(22,659,145)	(25,361,012)	(24,336,748)	(23,226,539)	(22,010,469)	(20,780,135)
$ 173,363	$ 179,166	$ 149,811	$ 137,123	$ 1,114,682	$ 1,045,134
$ 50,519,242	$ 52,314,134	$ 53,899,624	$ 54,192,982	$ 53,733,558	$ 54,289,726
0.34%	0.34%	0.28%	0.25%	2.03%	1.89%

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Unemployment Rate (3)
2014	5,171	$ 181,067,736	$ 35,016	6.20%
2013	5,171	181,067,736	35,016	6.20%
2012	5,171	181,067,736	35,016	6.60%
2011	5,132	163,756,988	31,909	7.30%
2010	5,097	162,680,949	31,917	8.60%
2009	4,295	139,029,150	32,370	6.80%
2008	4,300	130,462,000	30,340	3.70%
2007	4,283	126,562,650	29,550	3.20%
2006	4,267	120,734,765	28,295	2.80%
2005	4,206	112,985,778	26,863	3.20%

(1) Population numbers came from the University of Virginia - Weldon Cooper Center for Public Service.

(2) This information is not maintained for the towns in Virginia. The amounts used here are for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the U.S. Department of Commerce Bureau of Economic Analysis.

(3) Unemployment rate is for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the Virginia Employment Commission.

Data that is unavailable for a more recent year is noted as the prior year's amount.

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2014		Fiscal Year 2005	
Employer	**Employees**	**Rank**	**Employees**	**Rank**
Shenandoah County School Board	1000+	1	1000+	1
County of Shenandoah	250 to 499	2	250 to 499	3
Valley Health System	250 to 499	3	250 to 499	2
Wal-Mart	250 to 499	4	250 to 499	4
Food Lion	100 to 249	5	100 to 249	5
Lowes Home Centers, Inc.	100 to 249	6	-	-
Skyline Terrace Nursing Home	100 to 249	7	50 to 99	8
Burger King	100 to 249	8	50 to 99	11
Cracker Barrel Old Country Store	50 to 99	9	100 to 249	6
McDonald's	50 to 99	10	50 to 99	9
Woodstock Facility Operations (formally Tandem Healthcare)	50 to 99	11	-	-
Town of Woodstock	50 to 99	12	50 to 99	13
Massanutten Military Academy	50 to 99	13	50 to 99	10
Holtzman Oil Corporation	-	-	100 to 249	7

Source: Virginia Employment Commission

Town of Woodstock, Virginia

Full-time Equivalent Town Government Employees by Function/Program
Last Nine Fiscal Years

	Fiscal Year				
Function	**2006**	**2007**	**2008**	**2009**	**2010**
General government					
General administration	1.5	2.0	2.0	2.0	2.0
Financial administration	2.0	3.0	3.0	3.0	3.0
Public safety					
Sworn Officers	14.0	16.0	16.0	16.0	16.0
Administrative	1.0	1.0	1.0	1.0	1.0
Public works	10.0	10.0	10.0	10.0	10.0
Community development	1.5	1.0	1.0	1.0	1.0
Parks and recreation	2.0	2.0	2.0	2.0	2.0
Water and sewer	15.0	19.0	19.0	19.0	20.0
Totals	47.0	54.0	54.0	54.0	55.0

Source: Department of Finance

Information is not available prior to fiscal year 2006; it is the goal of the Town to achieve ten fiscal years of this information in the future.

Table 15

Fiscal Year			
2011	**2012**	**2013**	**2014**
2.0	2.0	2.0	2.5
3.0	3.0	4.0	4.0
15.0	15.0	15.0	15.0
1.0	1.0	1.0	1.0
10.0	8.0	8.0	9.5
1.0	1.0	1.0	1.5
2.0	2.0	2.0	1.0
20.0	19.0	18.0	18.0
54.0	51.0	51.0	52.5

Town of Woodstock, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year 2005	2006	2007	2008	2009
Public safety					
Police department					
Number of miles patrolled	110,112	119,576	119,664	122,729	113,767
Number of complaints investigated	3,335	3,344	3,939	3,531	3,882
Number of vehicle accidents investigated	200	204	195	170	172
Number of parking tickets issued	155	159	147	214	196
Number of traffic summons (adult)	668	1,026	1,241	783	749
Number of traffic summons (juvenile)	45	63	64	23	48
Number of criminal arrests (adult)	252	271	279	273	296
Number of criminal arrests (juvenile)	63	195	281	149	133
Public works					
Streets					
Streets resurfaced (miles per year)	4	3	3	2	1
Refuse					
Refuse collected (tons per year)	1,380	1,390	1,478	1,614	1,596
Recycling					
Recycling collected (tons per year)	**	**	**	**	**
Community development					
Planning and zoning					
Zoning permits issued	*	179	167	141	112
Water					
Number of water main break repairs	6	8	5	15	11
Average daily finished water production (mgd)	0.6800	0.6440	0.6410	0.7240	0.6687
Sewer					
Number of sewer line repairs	4	1	50	20	21
Average daily effluent wastewater treatment (mgd)	0.6516	0.5092	0.4771	0.5005	0.4481

*Information not available. It is the goal of the Town to achieve ten fiscal years of this information in the future.

**The Town began its curbside recycling program on July 1, 2011.

Source: Town individual departments

Note: All statistical data is based on the previous calendar year of the fiscal year indicated.

Table 16

Fiscal Year				
2010	2011	2012	2013	2014
98,218	97,613	103,903	70,318	73,827
3,464	3,094	3,198	4,305	7,746
141	127	158	170	191
154	255	192	165	101
878	698	946	683	789
35	34	18	8	15
260	251	244	360	278
96	98	25	31	12
3	2	0	1	1
1,430	1,395	1,373	1,363	1,357
**	**	68	137	130
89	78	96	94	80
5	10	9	13	13
0.5841	0.6300	0.8355	0.6045	0.5670
1	1	2	4	6
0.4380	0.5706	0.5408	0.4800	0.6194

Capital Asset and Infrastructure Statistics by Function/Program
Last Nine Fiscal Years

	Fiscal Year								
Function/Program	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Public safety									
Police department:									
Stations	1	1	1	1	1	1	1	1	1
Law enforcement vehicles	12	12	12	12	12	12	12	12	12
Public works									
Streets department:									
Number of streets	*	*	49	49	49	49	49	49	51
Number of street lights	*	*	401	401	432	432	432	433	435
Parks and recreation									
Number of parks	3	3	3	3	3	3	3	3	3
Number of swimming pools	1	1	1	1	1	1	1	1	1
Number of picnic shelters	4	4	4	4	4	4	4	5	5
Number of tennis courts	6	6	6	6	6	6	6	6	6
Water									
Miles of water distribution lines	*	*	50	50	51	51	51	51	51
Number of fire hydrants	*	*	279	280	310	311	313	314	314
Storage capacity (mg)	*	*	2.60	2.60	2.60	2.60	2.60	2.60	2.60
Sewer									
Miles of sanitary sewer lines	*	*	31	32	33	33	33	33	33
Number of sewer lift/pumping stations	*	*	6	6	6	6	6	6	6

Information is not available prior to fiscal year 2006; it is the goal of the Town to achieve ten fiscal years of this information in the future.

* Information is not available.

Source: Town individual departments

COMPLIANCE SECTION

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*

THE HONORABLE MEMBERS OF THE TOWN COUNCIL
TOWN OF WOODSTOCK, 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 Town of Woodstock, 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 Woodstock, Virginia's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Woodstock, 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 Town of Woodstock, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Woodstock, 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 Town of Woodstock, 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
December 5, 2014