

**TOWN OF OCCOQUAN, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2015**

**TOWN OF OCCOQUAN, VIRGINIA**

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**TOWN COUNCIL**

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Elizabeth A.C. Quist, Mayor

Patrick A. Sivigny, Vice-Mayor

Tyler C. Brown

J. Matthew Dawson

Jim Drakes

Joe Mcguire

**OFFICIALS**

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Kirstyn Barr Jovanovich, Town  
Manager  
Abigail Breeding, CPA, Treasurer

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TOWN OF OCCOQUAN, VIRGINIA

Financial Report  
Year Ended June 30, 2015

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Financial Report  
Year Ended June 30, 2015

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL  
TOWN OF OCCOQUAN, VIRGINIA  
OCCOQUAN, VIRGINIA

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Occoquan, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Occoquan, Virginia'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 and each major fund of the Town of Occoquan, Virginia, as of June 30, 2015, and the respective changes in financial position 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 budgetary comparison information on page 20 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. 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.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Occoquan, Virginia's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016, on our consideration of Town of Occoquan, 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 Occoquan, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
March 2, 2016

## **Basic Financial Statements**



*Government-wide Financial Statements*

Statement of Net Position  
At June 30, 2015

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	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 681,146
Restricted cash	104,072
Receivables	61,596
Inventory	2,136
Prepaid items	8,304
Capital assets:	
Land	1,081,564
Construction in progress	138,045
Other capital assets, net of accumulated depreciation	<u>424,874</u>
Capital assets, net	\$ <u>1,644,483</u>
Total assets	\$ <u>2,501,737</u>
<b>Liabilities:</b>	
Accounts payable	\$ 58,976
Accrued payroll	8,222
Escrow deposits	1,000
Long-term liabilities:	
Due within one year	
Compensated absences	594
Due in more than one year	
Compensated absences	<u>5,344</u>
Total liabilities	\$ <u>74,136</u>
<b>Deferred Inflows of Resources:</b>	
Deferred revenue - craft show	\$ <u>51,318</u>
<b>Net Position:</b>	
Investment in capital assets	\$ 1,644,483
Restricted - Mamie Davis funds	104,072
Unrestricted	<u>627,728</u>
Total net position	\$ <u><u>2,376,283</u></u>

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

Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
				Primary Government Governmental Activities
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government administration	\$ 354,792	\$ -	\$ -	\$ (354,792)
Public safety	96,731	11,601	21,296	(63,834)
Public works	108,948	-	1,059	(107,889)
Parks, recreation, and cultural	160,387	-	-	182,776
Total governmental activities	\$ 720,858	\$ 11,601	\$ 22,355	\$ 182,776
<b>General Revenues:</b>				
General property taxes				\$ 178,951
Local sales and use taxes				24,428
Auto decals				11,182
Business license tax				109,050
Meals tax				109,340
Consumer utility tax				32,263
Unrestricted revenues from the use of money and property				7,164
Grants and contributions not restricted to specific programs				46,483
Miscellaneous				215,287
Total general revenues				\$ 734,148
Change in net position				\$ 230,022
Net position, beginning of year				2,146,261
Net position, end of year				\$ 2,376,283

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

*Fund Financial Statements*

Balance Sheet  
 Governmental Funds  
 At June 30, 2015

	<u>General</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 681,146
Restricted cash	104,072
Inventory	2,136
Accounts receivables	61,596
Prepaid items	8,304
	<u>8,304</u>
Total assets	\$ <u><u>857,254</u></u>
<b>Liabilities:</b>	
Accounts payable	\$ 58,976
Accrued payroll	8,222
Deposits	1,000
	<u>1,000</u>
Total liabilities	\$ <u>68,198</u>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenue - craft show	\$ 49,252
Unavailable revenue - other	600
Unavailable revenue - taxes	3,531
	<u>3,531</u>
Total deferred inflows of resources	\$ <u>53,383</u>
<b>Fund Balance:</b>	
Nonspendable:	
Inventory	\$ 2,136
Prepaid items	8,304
Restricted:	
Mamie Davis funds	104,072
Assigned:	
Craft show	331,721
Capital projects	7,610
Unassigned	281,830
	<u>281,830</u>
Total fund balance	\$ <u>735,673</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u><u>857,254</u></u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
At June 30, 2015

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Total fund balances for governmental funds (Exhibit 3) \$ 735,673

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,081,564	
Construction in progress		138,045	
Depreciable capital assets, net of accumulated depreciation		<u>424,874</u>	1,644,483

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:

Unavailable revenue related to property taxes	2,065
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	<u>(5,938)</u>
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Total net position of governmental activities	<u><u>\$ 2,376,283</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2015

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	<u>General</u>
<b>Revenues:</b>	
General property taxes	\$ 178,678
Other local taxes	286,263
Fines and forfeitures	11,601
Revenue from use of money and property	7,164
Recovered costs	182,776
Miscellaneous	215,287
Intergovernmental:	
Commonwealth	<u>68,838</u>
Total revenues	<u>\$ 950,607</u>
<b>Expenditures:</b>	
Current:	
General government administration	\$ 340,317
Public safety	77,401
Public works	107,347
Parks, recreation, and cultural	103,038
Capital outlay	<u>537,139</u>
Total expenditures	<u>\$ 1,165,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (214,635)</u>
Changes in fund balances	\$ (214,635)
Fund balances at beginning of year	<u>950,308</u>
Fund balances at end of year	<u><u>\$ 735,673</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2015

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Net change in fund balances - total governmental funds (Exhibit 5) \$ (214,635)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	\$ 471,927	
Depreciation expense	<u>(28,212)</u>	443,715

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds. 273

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.

Change in compensated absences		<u>669</u>
Change in net position of governmental activities	\$	<u><u>230,022</u></u>

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



## TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015

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

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#### Narrative Profile:

Town of Occoquan, located in Prince William County, Virginia, approximately 25 miles south of Washington, D.C. was incorporated in 1874. The town has a population of 934 and a land area of 0.2 square miles.

The Town is governed under the Council-Manager form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, and parks, recreation, and cultural. Judicial administration, education, fire, library, health and welfare services are provided by Prince William County.

The financial statements of Town of Occoquan, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the Town's accounting policies are described below.

#### **A. Financial Reporting Entity**

Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports. The Management's Discussion and Analysis has been omitted.

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

Fund Financial Statements: 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.

## TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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#### A. Financial Reporting Entity (Continued)

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the government's original budget as well as a current comparison of final budget and actual results for its major funds.

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. The Town does not have any discretely presented component units.

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

The basic financial statements include both government-wide and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, community development, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses.

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

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**B. Government-Wide and Fund Financial Statements (Continued)**

The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is presented, which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statement.

The following is a brief description of the specific funds used by the Town in FY 2015.

1. *Governmental Funds* - Governmental Funds account for and report the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

*General Fund* - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources 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 General Fund is considered a major fund for reporting purposes.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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**C. Basis of Accounting (continued)**

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the State or utilities 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 State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

Expenditures, other than interest on long-term obligations, are recorded as the related fund liabilities are incurred. Principal and interest on long-term obligations is recognized when due except for amounts due on July 1, which are accrued.

The accrual basis of accounting is used for the Enterprise Fund. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred. The Town has no proprietary funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**D. Budgets and Budgetary Accounting**

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

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

TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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**E. Cash and Cash Equivalents**

Cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with original maturities of three months or less.

**F. Prepaid Items**

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

**G. Capital Assets**

Capital outlays are recorded as expenditures of the governmental funds of the Town and as assets in the government-wide financial statements.

Property, plant and equipment purchased are stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Capital Assets are defined by the Town as property, plant, and equipment with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	15-40 years
Vehicles	5 years
Equipment	3-7 years

**H. Use of Estimates**

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

**I. Compensated Absences**

The Town accrues compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

An estimate of ten percent of the liability has been classified as current in the government-wide financial statements.

## TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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#### J. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

#### K. Net Position

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

## TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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#### L. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund 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.

#### M. 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/expenditure) until then. The Town does not have any deferred outflows of resources at June 30, 2015.

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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet and the statement of net position. The governmental funds report unavailable revenue from delinquent property taxes and craft shows. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

### NOTE 2—PROPERTY TAXES RECEIVABLE:

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Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable February 15th. The Town bills and collects its own property taxes. The Town does not record an allowance for uncollectible receivables as all receivables are deemed collectible.

### NOTE 3—DEPOSITS AND INVESTMENTS:

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#### 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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

**NOTE 3—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), the Asian Development Bank, the African Development Bank, "primary quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2015.

**NOTE 4—CAPITAL ASSETS:**

The following is summary of changes in capital assets during the fiscal year:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 781,564	\$ 300,000	\$ -	\$ 1,081,564
Construction in progress	-	138,045	-	138,045
Total capital assets not being depreciated	<u>\$ 781,564</u>	<u>\$ 438,045</u>	<u>\$ -</u>	<u>\$ 1,219,609</u>
Other capital assets:				
Buildings and improvements	\$ 466,077	\$ 20,342	\$ -	\$ 486,419
Vehicles	93,297	-	-	93,297
Equipment	87,832	13,540	-	101,372
Total other capital assets	<u>\$ 647,206</u>	<u>\$ 33,882</u>	<u>\$ -</u>	<u>\$ 681,088</u>
Accumulated depreciation:				
Buildings and improvements	\$ 138,658	\$ 9,189	\$ -	\$ 147,847
Vehicles	31,080	14,552	-	45,632
Equipment	58,264	4,471	-	62,735
Total accumulated depreciation	<u>\$ 228,002</u>	<u>\$ 28,212</u>	<u>\$ -</u>	<u>\$ 256,214</u>
Other capital assets, net	<u>\$ 419,204</u>	<u>\$ 5,670</u>	<u>\$ -</u>	<u>\$ 424,874</u>
Net capital assets	<u>\$ 1,200,768</u>	<u>\$ 443,715</u>	<u>\$ -</u>	<u>\$ 1,644,483</u>
Depreciation expense has been allocated as follows:				
General government administration		\$ 6,557		
Public safety		14,282		
Public works		1,601		
Parks, recreation and cultural		<u>5,772</u>		
Total depreciation expense		<u>\$ 28,212</u>		



TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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**NOTE 5—LONG-TERM OBLIGATIONS:**

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The following is a summary of long-term obligations for the fiscal year ended June 30, 2015:

	Balance			Balance	Amounts
	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within
					One Year
Compensated absences \$	<u>6,607</u>	<u>\$ -</u>	<u>\$ 669</u>	<u>\$ 5,938</u>	<u>\$ 594</u>

**NOTE 6—COMPENSATED ABSENCES:**

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In accordance with GASB Statement 16, *Accounting and Financial Reporting for Compensated Absences*, the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$5,938 in the General Fund.

**NOTE 7—RETIREMENT PLAN:**

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The Town maintains a SIMPLE-IRA retirement plan covering substantially all employees meeting certain minimum requirements. The Town makes matching contributions equaling employee contributions up to 3% of eligible compensation. The Town's matching contributions and plan expenses totaled approximately \$6,540 for the fiscal year ended June 30, 2015.

**NOTE 8—CONTINGENT LIABILITIES:**

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At June 30, 2015 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

**NOTE 9—UNAVAILABLE REVENUES:**

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Unavailable revenues represent amounts for which, under the modified accrual basis of accounting, asset recognition criteria have been met, but for which revenue recognition criteria have not been met (i.e., such amounts are measurable, but not available). At June 30, 2015 deferred revenues in the governmental funds totaled \$49,852, which represents collections related to the subsequent year's craft show. Unavailable revenues consisting of uncollected property taxes totaled \$2,065 and other unavailable revenues totaled \$600.

**NOTE 10—RISK MANAGEMENT:**

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The Town participates in the Virginia Municipal Group Risk Management Pool for workers' compensation insurance coverage. Other insurance coverage for property, crime, dishonesty and related coverage are purchased from a commercial insurance carrier. Coverage for these items varies. There are no surety bonds for directors.

TOWN OF OCCOQUAN, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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NOTE 11—EXPENDITURES IN EXCESS OF APPROPRIATIONS:

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<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government administration \$	296,421 \$	340,317 \$	(43,896)
Public works	102,656	107,347	(4,691)
Parks, recreation, and cultural	98,000	103,038	(5,038)

## 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 Balances - Budget and Actual  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
General property taxes	\$ 192,971	\$ 192,971	\$ 178,678	\$ (14,293)
Other local taxes	271,025	271,025	286,263	15,238
Fines and forfeitures	12,000	12,000	11,601	(399)
Revenue from use of money and property	2,000	2,000	7,164	5,164
Recovered costs	-	-	182,776	182,776
Miscellaneous	217,000	217,000	215,287	(1,713)
Intergovernmental:				
Commonwealth	22,300	22,300	68,838	46,538
Total revenues	<u>\$ 717,296</u>	<u>\$ 717,296</u>	<u>\$ 950,607</u>	<u>\$ 233,311</u>
<b>Expenditures</b>				
Current:				
General government administration	\$ 296,421	\$ 296,421	\$ 340,317	\$ (43,896)
Public safety	100,219	100,219	77,401	22,818
Public works	102,656	102,656	107,347	(4,691)
Parks, recreation, and cultural	98,000	98,000	103,038	(5,038)
Capital outlay	1,640,000	1,640,000	537,139	1,102,861
Total expenditures	<u>\$ 2,237,296</u>	<u>\$ 2,237,296</u>	<u>\$ 1,165,242</u>	<u>\$ 1,072,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,520,000)</u>	<u>\$ (1,520,000)</u>	<u>\$ (214,635)</u>	<u>\$ 1,305,365</u>
Changes in fund balances	\$ (1,520,000)	\$ (1,520,000)	\$ (214,635)	\$ 1,305,365
Fund balances at beginning of year	1,520,000	1,520,000	950,308	(569,692)
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 735,673</u>	<u>\$ 735,673</u>

## Supporting Schedules

Governmental Funds  
Schedule of Revenues - Budget and Actual  
Year Ended June 30, 2015

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 192,971	\$ 192,971	\$ 176,104	\$ (16,867)
Penalties and interest	-	-	2,574	2,574
Total general property taxes	<u>\$ 192,971</u>	<u>\$ 192,971</u>	<u>\$ 178,678</u>	<u>\$ (14,293)</u>
Other local taxes:				
Local sales and use taxes	\$ 28,200	\$ 28,200	\$ 24,428	\$ (3,772)
Auto decals	10,000	10,000	11,182	1,182
Business license tax	60,000	60,000	109,050	49,050
Meals tax	97,325	97,325	109,340	12,015
Consumer utility tax	75,500	75,500	32,263	(43,237)
Total other local taxes	<u>\$ 271,025</u>	<u>\$ 271,025</u>	<u>\$ 286,263</u>	<u>\$ 15,238</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 12,000	\$ 12,000	\$ 11,601	\$ (399)
Total fines and forfeitures	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 11,601</u>	<u>\$ (399)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2,814	\$ 2,814
Revenue from use of property	2,000	2,000	4,350	2,350
Total revenue from use of money and property	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 7,164</u>	<u>\$ 5,164</u>
Recovered costs:				
Engineering fees	\$ -	\$ -	\$ 177,347	\$ 177,347
Legal fees	-	-	5,429	5,429
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,776</u>	<u>\$ 182,776</u>
Miscellaneous:				
Fall craft show	\$ 105,000	\$ 105,000	\$ 105,686	\$ 686
Spring craft show	105,000	105,000	102,733	(2,267)
Other miscellaneous	7,000	7,000	6,868	(132)
Total miscellaneous	<u>\$ 217,000</u>	<u>\$ 217,000</u>	<u>\$ 215,287</u>	<u>\$ (1,713)</u>
Total revenue from local sources	<u>\$ 694,996</u>	<u>\$ 694,996</u>	<u>\$ 881,769</u>	<u>\$ 186,773</u>

Governmental Funds  
Schedule of Revenues - Budget and Actual  
Year Ended June 30, 2015 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Telecommunications tax	\$ -	\$ -	\$ 46,483	\$ 46,483
Total noncategorical aid	\$ -	\$ -	\$ 46,483	\$ 46,483
Categorical aid:				
Public safety grant	\$ 21,300	\$ 21,300	\$ 21,296	\$ (4)
Other state funds	1,000	1,000	1,059	59
Total categorical aid	\$ 22,300	\$ 22,300	\$ 22,355	\$ 55
Total revenue from the Commonwealth	\$ 22,300	\$ 22,300	\$ 68,838	\$ 46,538
Total General Fund	\$ 717,296	\$ 717,296	\$ 950,607	\$ 233,311

Governmental Funds  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2015

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
<b><u>General Fund:</u></b>				
General government administration:				
Payroll, payroll taxes, and benefits	\$ 180,079	\$ 180,079	\$ 177,315	\$ 2,764
Advertising	2,000	2,000	1,929	71
Council stipend	72	72	72	-
Insurance	15,932	15,932	15,932	-
Legal	33,000	33,000	51,614	(18,614)
Professional services	50,000	50,000	64,691	(14,691)
Education and training	3,000	3,000	1,890	1,110
Dues and memberships	-	-	1,406	(1,406)
Office supplies	12,338	12,338	11,801	537
Auto decal expenses	-	-	503	(503)
Miscellaneous	-	-	8,250	(8,250)
Bank charges	-	-	661	(661)
Economic development	-	-	4,253	(4,253)
Total general government administration	<u>\$ 296,421</u>	<u>\$ 296,421</u>	<u>\$ 340,317</u>	<u>\$ (43,896)</u>
Public safety:				
Payroll, payroll taxes, and benefits	\$ 70,779	\$ 70,779	\$ 71,127	\$ (348)
Police department	<u>29,440</u>	<u>29,440</u>	<u>6,274</u>	<u>23,166</u>
Total public safety	<u>\$ 100,219</u>	<u>\$ 100,219</u>	<u>\$ 77,401</u>	<u>\$ 22,818</u>
Public works:				
Grounds and maintenance	\$ 23,228	\$ 23,228	\$ 25,584	\$ (2,356)
Town Hall	-	-	3,235	(3,235)
Snow removal	2,500	2,500	4,938	(2,438)
Trash removal	54,928	54,928	54,986	(58)
Utilities	<u>22,000</u>	<u>22,000</u>	<u>18,604</u>	<u>3,396</u>
Total public works	<u>\$ 102,656</u>	<u>\$ 102,656</u>	<u>\$ 107,347</u>	<u>\$ (4,691)</u>
Parks, recreation and cultural:				
Fall craft show	\$ 45,000	\$ 45,000	\$ 34,481	\$ 10,519
Spring craft show	45,000	45,000	43,774	1,226
Craft show indirect	-	-	16,102	(16,102)
Historic Occoquan	6,000	6,000	6,000	-
Parks/Town hall	2,000	2,000	1,034	966
Special events	<u>-</u>	<u>-</u>	<u>1,647</u>	<u>(1,647)</u>
Total parks, recreation and cultural	<u>\$ 98,000</u>	<u>\$ 98,000</u>	<u>\$ 103,038</u>	<u>\$ (5,038)</u>
Capital outlay	<u>\$ 1,640,000</u>	<u>\$ 1,640,000</u>	<u>\$ 537,139</u>	<u>\$ 1,102,861</u>
Total General Fund	<u><u>\$ 2,237,296</u></u>	<u><u>\$ 2,237,296</u></u>	<u><u>\$ 1,165,242</u></u>	<u><u>\$ 1,072,054</u></u>



## Compliance

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL  
TOWN OF OCCOQUAN, VIRGINIA  
OCCOQUAN, 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 and each major fund of Town of Occoquan, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Occoquan, Virginia's basic financial statements, and have issued our report thereon dated March 2, 2016.

### Internal Control over Financial Reporting

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

Fredericksburg, Virginia  
March 2, 2016