

***TOWN OF HAYSI, VIRGINIA***

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AUDIT REPORT

Year Ended June 30, 2013

**TOWN OF HAYSI, VIRGINIA**  
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**Year Ended June 30, 2013**

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**TOWN OF HAYSI, VIRGINIA**  
**TOWN OFFICIALS**

**MAYOR:** Larry D. Yates

**TOWN COUNCIL:** Rocky Wood, Vice-Mayor  
Barry Whitt  
Wm. "Billy" Brice Counts  
Susan Tiller  
Michael Harris  
Tim Wallace

**OTHER OFFICIALS:** Clerk – Ramona Duncan  
Chief of Police – George Wallace

**THROWER, BLANTON & ASSOCIATES, P.C.**  
*Certified Public Accountants  
& Consultants*

**\*\*BRIAN K. BLANTON, C.P.A.**  
**\* CHARLES F. LAWSON, C.P.A.**

*Founded 1948*

**MONROE B. THROWER, C.P.A.**  
**(1918-2000)**  
**M. BARDIN THROWER, JR., C.P.A.**  
**(1946-2012)**

**\*Member of American Institute of  
Certified Public Accountants**  
**\*\*Virginia & Tennessee Society of  
Certified Public Accountant**

**612 Trent Street  
Norton, Virginia 24273  
Phone: (276) 679-2780  
Fax: (276) 679-7445**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of the Town Council  
Town of Haysi, Virginia  
Haysi, VA 24256

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Haysi, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Haysi, Virginia as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 16 to the financial statements, in fiscal year 2013, the Town adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 27 thru 28 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 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.

Management has omitted the 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 Government 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2014 on our consideration of the Town of Haysi's internal control over financial reporting and on our test 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
THROWER, BLANTON & ASSOCIATES, P.C.  
Certified Public Accountants

April 24, 2014

# THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants  
& Consultants*

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

The Honorable Members of the Town Council  
Town of Haysi, Virginia  
Haysi, VA 24256

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Haysi, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Haysi, Virginia's basic financial statements, and have issued our report thereon dated April 24, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2013, we considered the Town'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 Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. However, as discussed in the *Schedule of Findings and Responses* issued in a separate letter to management, we identified certain deficiencies in internal control over financial reporting, that we consider to be significant deficiencies in internal control over financial reporting. (Reference finding 2013-1 and 2013-2) A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Members of the Town Council  
Town of Haysi, Virginia  
Haysi, VA 24256  
(Report on Internal Control and Compliance)  
Page 2

We noted certain matters that we reported to management of the Town of Haysi, in a separate letter dated April 24, 2014.

Town of Haysi's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

*Thrower, Blanton & Associates P.C.*  
**THROWER, BLANTON & ASSOCIATES, P.C.**  
Certified Public Accountants

April 24, 2014

**TOWN OF HAYSI, VIRGINIA**

***SUMMARY OF COMPLIANCE MATTERS***

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**June 30, 2013**

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As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts and grants shown below.

**STATE COMPLIANCE MATTERS**

**Code of Virginia:**

- Budget and Appropriation Laws
- Cash and Investments Laws
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

**LOCAL COMPLIANCE MATTERS**

Town Charter



**TOWN OF HAYSI, VIRGINIA**  
**STATEMENT OF NET POSITION**  
June 30, 2013

EXHIBIT 1

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 29,017
Receivables:	
Taxes	14,583
Accounts	49,694
Other	8,329
Restricted Assets:	
Cash	35,138
Capital assets, depreciable, net	229,722
Capital assets, non-depreciable	<u>285,979</u>
 TOTAL ASSETS	 <u><u>\$ 652,462</u></u>
 <b><u>LIABILITIES</u></b>	
Accounts payable	\$ 7,178
Accrued liabilities and wages	9,281
Deferred revenue	-
Matured revenue interest	-
Long-term liabilities	-
Due within one year	-
Due in more than one year	-
Compensated absences	
Due within one year	1,954
Due in more than one year	<u>3,323</u>
 Total Liabilities	 <u>21,736</u>
 <b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	515,701
Restricted	-
Unrestricted	<u>115,025</u>
 Total Net Position	 <u><u>\$ 630,726</u></u>

**TOWN OF HAYSI, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
June 30, 2013

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
					Primary
					<u>Governmental</u>
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General government	\$ 110,032	\$ -	\$ -	\$ -	\$ (110,032)
Public safety	192,100	-	94,838	-	(97,262)
Public works	36,551	-	1,000	-	(35,551)
Community development	9,975	-	487	150,582	141,094
Economic development	9,598	-	-	-	(9,598)
Interest on long-term debt	68	-	-	-	(68)
Non-departmental	-	-	-	-	-
Total Governmental Activities	<u>358,324</u>	<u>-</u>	<u>96,325</u>	<u>150,582</u>	<u>(111,417)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 358,324</u>	<u>\$ -</u>	<u>\$ 96,325</u>	<u>\$ 150,582</u>	<u>\$ (111,417)</u>

**General Revenues:**

Property taxes	29,248
Local sales & use tax	17,625
Utility tax	28,977
Business license tax	50,551
Bank stock tax	12,917
Cigarette tax	5,940
Restaurant food tax	69,219
Coal road improvement tax	25,000
Unrestricted intergovernmental revenue	8,845
Unrestricted investment earnings	1,773
Rental of Town property	-
Other	<u>14,074</u>
Total general revenues and transfers	<u>264,169</u>
Change in net position	152,752

**NET POSITION - JULY 1** 477,974

**NET POSITION - JUNE 30** \$ 630,726

**TOWN OF HAYSI, VIRGINIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
Year Ended June 30, 2013

EXHIBIT 3

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 29,017
Receivables:	
Taxes	14,583
Accounts	-
Other	7,529
Due from other governmental units	800
Restricted Assets:	
Cash	35,138
Total Assets	<u>\$ 87,067</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 7,178
Accrued payroll and related liabilities	9,281
Total Liabilities	<u>16,459</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property taxes	<u>9,084</u>
Total Deferred Inflows of Resources	<u>9,084</u>
<b>FUND BALANCES:</b>	
Nonspendable	-
Restricted	24,260
Committed	10,878
Assigned	-
Unassigned	26,386
Total Fund Balances	<u>61,524</u>
Total Liabilities, Deferred inflows of resources, and Fund Balances	<u>\$ 87,067</u>
Total Fund Balances	<u>\$ 61,524</u>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	515,701
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	58,778
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(5,277)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>-</u>
Net Position of Governmental Activities	<u>\$ 630,726</u>

**TOWN OF HAYSI, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
Year Ended June 30, 2013

EXHIBIT 4

	<b><u>General Fund</u></b>
<b>REVENUES:</b>	
General property taxes	\$ 23,799
Other local taxes	210,229
Permits, privilege fees and regulatory licenses	-
Fines and forfeitures	8,292
Revenue from use of money and property	1,773
Miscellaneous	13,258
Charges for services	4,597
Intergovernmental	251,155
Total Revenues	<u>513,103</u>
<b>EXPENDITURES:</b>	
<b>Current:</b>	
General government administration	118,464
Public safety	188,478
Public works	36,551
Community development	87,400
EDSC	106,364
<b>Debt Service:</b>	
Principle retirement	3,021
Interest	76
Total Expenditures	<u>540,354</u>
Excess (Deficiency) of Revenues Over Expenditures	(27,251)
<b>OTHER FINANCING SOURCES (USES):</b>	
Sale of property	-
Insurance recoveries	-
Loan Proceeds	-
Transfers in (out)	-
Total Other Financing Sources ( Uses )	<u>-</u>
Net Change in Fund Balance	(27,251)
<b>FUND BALANCE AT JULY 1</b>	<u>88,775</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 61,524</u></u>

**TOWN OF HAYSI, VIRGINIA**  
**RECONCILIATION OF THE REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2013

EXHIBIT 5

	<u><b>General Fund</b></u>
<b>Net Change in Fund Balance Governmental Fund:</b>	<b>\$ (27,251)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	179,283
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,026)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	3,021
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.	<u>(275)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 152,752</u></b>

NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Haysi, Virginia is incorporated under and has all powers conferred upon towns under the Constitution of Virginia and all other laws of the Commonwealth. The Town is governed by a mayor, and town council composed of six members, elected at large. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. **Reporting Entity**

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

B. **Financial Reporting Model**

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34)*. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. The Town has implemented the requirements of GASB 34, beginning with the year ended June 30, 2006.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In the first type, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the second type, monies are virtually unrestricted as to time of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

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June 30, 2013

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Reporting Entity considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

Licenses and permits, fines, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available.

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



NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

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

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

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

The Town reports the following major governmental funds:

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

D. **Budgets and Budgetary Accounting**

As set forth in the Town Charter, the Town Council adopts an annual budget for the General Fund. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. All annual appropriations lapse at fiscal year-end.

E. **Encumbrances and Commitments**

The Town utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Generally, all unencumbered appropriations lapse at year end, except those for capital projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

F. **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,000 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

# TOWN OF HAYSI, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings/building improvements	40
Other improvements	20-40
Furniture and equipment	7-10
Vehicles	5-7

#### G. Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents

#### H. Fund Equity

Beginning with the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

• Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

• Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

• Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

• Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Equity(Continued)

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

2. CASH AND CASH EQUIVALENTS

Deposits

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

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool(the Virginia LGIP, a 2a-7 like pool).

Credit Risk:

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

Concentration of Credit Risk:

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

B B & T Bank	31%
People's Inc.	38%
New Peoples Bank	31%

Custodial Credit Risk:

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

**TOWN OF HAYSI, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2013**

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**2. CASH AND CASH EQUIVALENTS (Continued)**

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

	<u>Primary Government</u>
Deposits and investments:	
Cash on hand	\$ -
Deposits	64,155
Investments	-
	<u>\$ 64,155</u>
Statement of net position:	
Cash and cash equivalents	\$ 29,017
Restricted cash and cash equivalents	35,138
	<u>\$ 64,155</u>

Restricted cash and cash equivalents consist primarily of demand deposit accounts.

**3. 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 \$2,573 at June 30, 2013, and is composed of the following:

General Operating Fund:	
Allowance for uncollectible property taxes	\$ <u>2,573</u>
 TOTAL	 <u>\$ 2,573</u>

**4. PROPERTY TAXES RECEIVABLE**

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Tax levy information is received from Dickenson County, and tax bills are mailed in November. Taxes are due and payable on or before December 5 of the current year. All unpaid taxes become delinquent December 6 of the current year. The County of Dickenson, Virginia bills and collects the Town's property taxes and revenues are recognized when collected.

**TOWN OF HAYSI, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**5. CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in capital assets:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not depreciated</b>				
Land	43,440	15,000	-	58,440
Construction in Progress	\$ 62,933	\$ 164,606	\$ -	\$ 227,539
Total Capital Assets, not Depreciated	<u>106,373</u>	<u>179,606</u>	<u>-</u>	<u>285,979</u>
<b>Capital assets, depreciated</b>				
Buildings and improvements	140,896	9,118	-	150,014
Machinery and equipment	<u>551,927</u>	<u>34,950</u>	<u>-</u>	<u>586,877</u>
Total Capital Assets, Depreciated	<u>692,823</u>	<u>44,068</u>	<u>-</u>	<u>736,891</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	52,505	6,580	-	59,085
Machinery and equipment	<u>410,273</u>	<u>37,811</u>	<u>-</u>	<u>448,084</u>
Total accumulated depreciation	<u>462,778</u>	<u>44,391</u>	<u>-</u>	<u>507,169</u>
Total Capital Assets, depreciated, net	<u>230,045</u>	<u>(323)</u>	<u>-</u>	<u>229,722</u>
Governmental activities capital assets, net	<u>\$ 336,418</u>	<u>\$ 179,283</u>	<u>\$ -</u>	<u>\$ 515,701</u>

**6. CAPITAL ASSETS**

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

**Governmental Activities:**

General government	\$ 6,580
Public safety	37,811
Public works	-
Total Depreciation Expense – Governmental Activities	<u>\$ 44,391</u>

**NOTES TO FINANCIAL STATEMENTS****June 30, 2013****7. LONG-TERM DEBT****Changes in Long-Term Debt:**

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

	<u>Total General Fund</u>
Bonds/loans payable at 6/30/12	\$ 3,021
Additions	-
Retirements	<u>( 3,021)</u>
Bonds/loans payable at 6/30/13	<u>\$ -</u>

**8. CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES**

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town of Haysi has accrued the liability arising from outstanding claims and judgments and compensated absences. At June 30, 2013, the Town of Haysi had outstanding accrued sick and vacation leave of \$5,277 in the General Operating Fund.

Permanent, full-time Town of Haysi employees earn general leave according to the following:

Full time employees earn two weeks vacation and 12 sick days each year after they have completed a full year of service. Employees may accumulate sick leave but only a limited amount can be carried over, not to exceed 960 hours (6 months). Any accumulated hours over 960 will need to be used by December 31 of the current year or employee will lose the number of hours

Upon termination of employment, employees are entitled to 30% of all credited sick leave and annual leave based on employee's current rate of pay at the time of separation. In the event of death of an employee, the employee's estate shall be entitled to 30% payment for any unused balance of sick leave allowances at the time of death. Temporary or part-time employees do not qualify for general leave.

The following is a summary of compensated absences transactions for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions/ Proceeds</u>	<u>Payments/ Reductions</u>	<u>Balance June 30, 2013</u>
<u>General Operating Fund</u>				
Accrued Compensated Absences	\$ 4,994	\$ 3,336	\$ ( 3,053)	\$ 5,277

NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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9. **DEFINED BENEFIT PENSION PLAN**

A. Plan Description

Name of Plan: Town of Haysi, Virginia, Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees—Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% to 1.85% as elected by the employer. The multiplier for plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provided death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

# TOWN OF HAYSI, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 9. DEFINED BENEFIT PENSION PLAN (continued)

#### A. Plan Description (continued)

The System issues a publicly available comprehensive annual report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publication/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

#### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town of Haysi, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013 was 12.74% of annual covered payroll.

#### C. Annual Pension Cost

For the fiscal year 2013, the Town of Haysi's annual pension cost of \$13,141 was equal to the Town's required and actual contributions.

#### PRIMARY GOVERNMENT:

Three Year Trend Information for the Town of Haysi, Virginia:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2011	\$ 19,376	100%	\$ -
June 30, 2012	20,030	100	-
June 30, 2013	13,141	100	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal 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 of 3.75% to 5.60% per year for general government employees and 3.5% 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 Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.



TOWN OF HAYSI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

9. **DEFINED BENEFIT PENSION PLAN (continued)**

D. Funded Status and Funding Progress

As of June 30, 2012 the most recent actuarial valuation date, the plan was 33.18% funded. The actuarial accrued liability for benefits was \$371,946, and the actuarial value of assets was \$123,420, resulting in an unfunded actuarial accrued liability (UAAL) of \$248,526. The covered payroll (annual payroll of active employees covered by the plan) was \$102,128, and ratio of the UAAL to the covered payroll was 243.35%.

The schedule of funding progress, presented as Required Supplementary Information following these notes, 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.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Town of Haysi, Virginia

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2010	\$ 108,478	\$ 233,337	\$ 124,859	46.49%	\$ 108,912	114.64%
June 30, 2011	130,803	220,952	90,149	59.20%	99,241	90.84%
June 30, 2012	123,420	371,946	248,526	33.18%	102,128	243.35%

10. **DEFERRED REVENUE**

Deferred 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. Deferred revenue totaling \$ 9,084 is comprised of the following:

**Deferred Property Tax Revenue**

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$9,084 at June 30, 2013.

11. **FUND BALANCES—GOVERNMENTAL FUNDS**

As of June 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable:	
Prepaid items	\$ —
Restricted:	
Business Development	24,260
Committed:	
Downtown Revitalization	10,878
Assigned:	—
Unassigned	26,386
Total fund balances	<u>\$ 61,524</u>

## TOWN OF HAYSI, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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#### 12. **BUDGETARY CONTROL**

The General Operating Fund revenues exceeded the budget amount by \$178,389; expenditures exceeded budgeted appropriations by \$205,640 for the year ended June 30, 2013. The excess expenditures were covered by available fund balance in the general fund.

#### 13. **COMMITMENTS AND CONTINGENCIES**

##### Litigation

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

#### 14. **RISK MANAGEMENT**

The Town maintains general liability, auto, and workers' compensation insurance coverage through the Virginia Municipal Liability Pool. Other insurance coverage (including fire, equipment, police liability, public officials liability and workers' compensation and accidental death on volunteer fireman) is also maintained through Virginia Municipal Liability Pool insurance. The Town maintains flood insurance through the National Flood Insurance Program (FEMA).

#### 15. **LEASES**

On June 1, 2002, the Town of Haysi entered into a twenty year lease-purchase agreement with St. Charles Health Council, Inc., a Virginia non-stock corporation doing business as Stone Mountain Health Services which allows for the operation of a medical clinic in Haysi. The cost of the newly constructed facility at the time of the lease was \$1,129,430. The lease agreement provides for a nominal guaranteed annual rental of \$1 for a total of \$20 which was payable at the time of execution of the lease. Stone Mountain Health Services is responsible for the payment of all utilities, insurance, and the maintenance and repair of the premises. The lease will terminate on May 31, 2022, at which time, all land, facilities and additions to the property will be conveyed to Stone Mountain Health Services at a purchase price of \$1, unless the tenant has ceased to operate a medical clinic on the premises, in which case the property and facilities will revert to the Town of Haysi.

#### 16. **CHANGE IN ACCOUNTING POLICY**

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in the statement of financial position. This change was incorporated in the Town's financial statements; however, there was no effect on beginning net position.

The Town has decided to early implement Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" which is effective for periods beginning after December 15, 2012. No prior period adjustment was necessary to account for the effects of this new standard.

**TOWN OF HAYSI, VIRGINIA**  
**GOVERNMENTAL FUND REVENUES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2013

SCHEDULE I  
Page 1

	<b>Original Budget</b>	<b>Budget as Amended</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND:</b>				
<b>Revenue from Local Sources:</b>				
<b>General Property Taxes:</b>				
Real and Personal property taxes	\$ 28,000	\$ 28,000	\$ 23,799	\$ (4,201)
Total General Property Taxes	28,000	28,000	23,799	(4,201)
<b>Other Local Taxes:</b>				
Local sales and use taxes	21,895	21,895	17,625	(4,270)
Cigarette taxes	28,000	28,000	5,940	(22,060)
Utility taxes	29,110	29,110	28,977	(133)
Business licenses taxes	48,000	48,000	50,551	2,551
Bank stock taxes	11,300	11,300	12,917	1,617
Restaurant food taxes	67,000	67,000	69,219	2,219
Coal road improvement taxes	30,000	30,000	25,000	(5,000)
Total Other Local Taxes	235,305	235,305	210,229	(25,076)
<b>Permits, Privilege Fees, And Regulatory Licenses</b>	-	-	-	-
<b>Fines and Forfeitures</b>	8,600	8,600	8,292	(308)
<b>Revenue From Use Of Money and Property:</b>				
Revenue from use of money	-	-	1,773	1,773
Revenue from use of property	-	-	-	-
Total Revenue From Use of Money and Property	-	-	1,773	1,773
<b>Miscellaneous Revenue</b>	-	-	13,258	13,258
<b>Charges For Services:</b>				
Fire Services Donations	-	-	3,097	3,097
Police Services Donations	-	-	1,500	1,500
Total Charges for Services	-	-	4,597	4,597
Total Revenue From Local Sources	\$ 271,905	\$ 271,905	\$ 261,948	\$ (9,957)
<b>Revenue From The County:</b>				
SRO Grant	\$ 37,000	\$ 37,000	\$ 37,654	\$ 654
Total Revenue From The County	37,000	37,000	37,654	654
<b>Revenue From The Commonwealth:</b>				
<b>Non-Categorical Aid:</b>				
Litter grant	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Rolling stock taxes	8,500	8,500	8,845	345
VML Matching Safety Grant	-	-	1,000	1,000
Planning Grant	-	-	487	487
Assistance to localities with police departments	-	-	-	-
Total Non-Categorical Aid	9,500	9,500	10,332	832
<b>Other Categorical Aid:</b>				
Fire programs fund	-	-	8,000	8,000
Law enforcement grant	4,309	4,309	44,587	40,278
Total Other Categorical Aid	4,309	4,309	52,587	48,278
Total Revenue From The Commonwealth	13,809	13,809	62,919	49,110
<b>Revenue From the Federal Government:</b>				
Economic Development Reimbursement	12,000	12,000	-	(12,000)
ARC	-	-	64,067	64,067
Rural Development Grant	-	-	86,515	86,515
Total Revenue From the Federal Government	12,000	12,000	150,582	138,582
<b>GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS</b>	<b>\$ 334,714</b>	<b>\$ 334,714</b>	<b>\$ 513,103</b>	<b>\$ 178,389</b>

The accompanying notes are and integral part of the financial statements.

**TOWN OF HAYSI, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2013

SCHEDULE 2  
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND:</b>				
General and Financial Administration	157,044	157,044	118,464	38,580
Public Safety-police department	144,790	144,790	175,898	(31,108)
Public Safety-fire department	9,500	9,500	12,580	(3,080)
Public works-street department	23,380	23,380	36,551	(13,171)
Community Development	-	-	87,400	(87,400)
Economic Development	-	-	106,364	(106,364)
Debt Service:	-	-		
Principal Retirement	-	-	3,021	(3,021)
Interest and fiscal charges	-	-	76	(76)
<b>TOTAL GENERAL FUND</b>	<u>\$ 334,714</u>	<u>\$ 334,714</u>	<u>\$ 540,354</u>	<u>\$ (205,640)</u>
<b>OTHER FINANCING RESOURCES (USES):</b>				
Sale of property	-	-	-	-
Loan proceeds	-	-	-	-
Insurance recoveries	-	-	-	-
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS</b>	<u>\$ 334,714</u>	<u>\$ 334,714</u>	<u>\$ 540,354</u>	<u>\$ (205,640)</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ -	\$ -	\$ (27,251)	
Net appropriations from fund balance				
Prior year surplus	-	-		
Prior year encumbrances	<u>-</u>	<u>-</u>		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		