

TOWN OF PEARISBURG, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

**TOWN OF PEARISBURG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

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**TOWN OF PEARISBURG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

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INTRODUCTORY SECTION

TOWN OF PEARISBURG, VIRGINIA

TOWN COUNCIL

Robert L. Dickerson, Mayor

Colin Munsey, Vice Mayor

Cathy Clark

Kristi Eaton

Judy R. Harrell

Mary D. "Susie" Journell

Jimmie R. Williams

OTHER OFFICIALS

Kenneth F. Vittum Town Manger/Treasurer
Regina Harless..... Town Clerk
Lorrie Mitchell..... Town Finance Director
James A. Hartley..... Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of Council
Town of Pearisburg, Virginia
Pearisburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearisburg, Virginia, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Town of Pearisburg, 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 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 financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and the schedules of pension and OPEB funding progress on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 the Town of Pearisburg, Virginia's basic financial statements. The introductory section, supporting schedules and statistical information 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, on our consideration of the Town of Pearisburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pearisburg, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, & Associates

Blacksburg, Virginia

January 8, 2015

BASIC FINANCIAL STATEMENTS

Town of Pearisburg, Virginia
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 721,875	\$ 693,894	\$ 1,415,769
Receivables (net of allowance for uncollectibles):			
Taxes receivable	94,125	-	94,125
Accounts receivable	45,867	209,770	255,637
Internal balances	157,763	(157,763)	-
Due from other governmental units	30,159	-	30,159
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	-	39,455	39,455
Capital assets (net of accumulated depreciation):			
Land	182,067	-	182,067
Buildings and improvements	2,912,816	-	2,912,816
Improvements other than buildings	1,637,757	-	1,637,757
Machinery and equipment	793,387	119,227	912,614
Infrastructure	-	5,430,023	5,430,023
Total assets	<u>\$ 6,575,816</u>	<u>\$ 6,334,606</u>	<u>\$ 12,910,422</u>
LIABILITIES			
Accounts payable	\$ 95,040	\$ 36,817	\$ 131,857
Accrued liabilities	38,401	-	38,401
Customers' deposits	-	39,455	39,455
Accrued interest payable	18,272	10,723	28,995
Long-term liabilities:			
Due within one year	209,901	178,994	388,895
Due in more than one year	2,992,197	2,601,380	5,593,577
Total liabilities	<u>\$ 3,353,811</u>	<u>\$ 2,867,369</u>	<u>\$ 6,221,180</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - prepaid taxes	\$ 635	\$ -	\$ 635
Total deferred inflows of resources	<u>\$ 635</u>	<u>\$ -</u>	<u>\$ 635</u>
NET POSITION			
Net investment in capital assets	\$ 2,714,027	\$ 2,782,164	\$ 5,496,191
Unrestricted	507,343	685,073	1,192,416
Total net position	<u>\$ 3,221,370</u>	<u>\$ 3,467,237</u>	<u>\$ 6,688,607</u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
					<u>Governmental Activities</u>	<u>Business-type Activities</u>
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 629,447 \$	3,990 \$	- \$	-	\$ (625,457) \$	- \$
Public safety	886,224	99,046	102,173	-	(685,005)	-
Public works	795,867	11,773	464,444	-	(319,650)	-
Parks, recreation, and cultural	522,866	38,992	53,610	-	(430,264)	-
Interest on long-term debt	127,602	-	-	-	(127,602)	-
Total governmental activities	\$ 2,962,006 \$	153,801 \$	620,227 \$	-	\$ (2,187,978) \$	- \$
Business-type activities:						
Water	\$ 730,782 \$	754,225 \$	- \$	6,286	- \$	29,729 \$
Sewer	440,803	544,303	-	2,643	-	106,143
Total business-type activities	\$ 1,171,585 \$	1,298,528 \$	- \$	8,929	\$ - \$	135,872 \$
Total primary government	\$ 4,133,591 \$	1,452,329 \$	620,227 \$	8,929	\$ (2,187,978) \$	\$ (2,052,106) \$
General revenues:						
General property taxes					\$ 761,614 \$	- \$
Other local taxes:						
Local sales and use taxes					127,773	-
Consumers' utility taxes					58,141	-
Business license taxes					247,756	-
Consumption tax					13,151	-
Motor vehicle licenses					36,954	-
Bank stock tax					92,229	-
Restaurant food taxes					363,014	-
Other local taxes					9,966	-
Unrestricted revenues from use of money and property					9,754	957
Miscellaneous					118,817	-
Grants and contributions not restricted to specific programs					137,329	-
Transfers					(15,331)	15,331
Total general revenues and transfers					\$ 1,938,667 \$	\$ 16,288 \$
Change in net position					\$ (249,311) \$	\$ 152,160 \$
Net position - beginning					3,470,681	3,315,077
Net position - ending					\$ 3,221,370 \$	\$ 3,467,237 \$

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

Town of Pearisburg, Virginia
Balance Sheet
Governmental Fund
June 30, 2014

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 721,875
Receivables (net of allowance for uncollectibles):	
Taxes receivable	94,125
Accounts receivable	45,867
Due from other funds	157,763
Due from other governmental units	30,159
Total assets	<u>\$ 1,049,789</u>
LIABILITIES	
Accounts payable	\$ 95,040
Accrued liabilities	38,401
Total liabilities	<u>\$ 133,441</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 90,116
Unavailable revenue - prepaid taxes	635
Total deferred inflows of resources	<u>\$ 90,751</u>
FUND BALANCES	
Committed (See Note 13)	\$ 444,692
Unassigned	380,905
Total fund balance	<u>\$ 825,597</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,049,789</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	825,597
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	182,067	
Buildings and improvements		2,912,816	
Infrastructure		1,637,757	
Machinery and equipment		793,387	5,526,027

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes		90,116
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$	(2,812,000)	
Accrued interest payable		(18,272)	
Compensated absences		(125,201)	
Net OPEB Obligation		(264,897)	(3,220,370)

Net position of governmental activities	\$	3,221,370
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The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>
REVENUES	
General property taxes	\$ 760,664
Other local taxes	948,984
Permits, privilege fees, and regulatory licenses	5,607
Fines and forfeitures	45,564
Revenue from the use of money and property	9,754
Charges for services	102,630
Miscellaneous	118,817
Recovered costs	26,909
Intergovernmental revenues:	
Commonwealth	747,606
Federal	9,950
Total revenues	<u>\$ 2,776,485</u>
EXPENDITURES	
Current:	
General government administration	\$ 503,272
Public safety	785,785
Public works	622,367
Parks, recreation, and cultural	499,908
Capital projects	98,134
Debt service:	
Principal retirement	136,480
Interest and other fiscal charges	140,882
Bond issuance costs	49,207
Total expenditures	<u>\$ 2,836,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (59,550)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 15,097
Transfers out	(30,428)
Issuance of general obligation bonds	30,428
Issuance of refunding bonds	2,916,000
Payment to escrow agent	(2,777,179)
Total other financing sources (uses)	<u>\$ 153,918</u>
Net change in fund balances	\$ 94,368
Fund balances - beginning	731,229
Fund balances - ending	<u><u>\$ 825,597</u></u>

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

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

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

Net change in fund balance - governmental fund	\$	94,368
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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 depreciation exceeded the capital outlays in the current period.

Capital outlays	\$ 19,570	
Depreciation expense	(278,307)	
		(258,737)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		950
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of general obligation bonds	\$ (30,428)	
Issuance of refunding bonds	(2,916,000)	
Principal repayments:		
Current refunding payments	2,777,179	
General obligation bonds and capital leases	136,480	
		(32,769)

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.

Decrease (increase) in compensated absences	\$ (8,841)	
Decrease (increase) in accrued interest payable	62,487	
Decrease (increase) in net OPEB obligation	(106,769)	
		(53,123)

Change in net position of governmental activities	\$	(249,311)
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The notes to the financial statements are an integral part of this statement

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

	Enterprise Fund	Enterprise Fund	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 497,686	\$ 196,208	\$ 693,894
Accounts receivable	108,916	100,854	209,770
Due from other funds	14,389	8,393	22,782
Total current assets	<u>\$ 620,991</u>	<u>\$ 305,455</u>	<u>\$ 926,446</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	\$ 39,455	\$ -	\$ 39,455
Total restricted assets	<u>\$ 39,455</u>	<u>\$ -</u>	<u>\$ 39,455</u>
Capital assets:			
Utility plant in service	\$ 2,751,260	\$ 5,649,614	\$ 8,400,874
Machinery and equipment	250,655	133,275	383,930
Accumulated depreciation	(931,514)	(2,304,040)	(3,235,554)
Total capital assets	<u>\$ 2,070,401</u>	<u>\$ 3,478,849</u>	<u>\$ 5,549,250</u>
Total noncurrent assets	<u>\$ 2,109,856</u>	<u>\$ 3,478,849</u>	<u>\$ 5,588,705</u>
Total assets	<u>\$ 2,730,847</u>	<u>\$ 3,784,304</u>	<u>\$ 6,515,151</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 29,562	\$ 7,255	\$ 36,817
Customers' deposits	39,455	-	39,455
Accrued interest payable	2,046	8,677	10,723
Due to other funds	104,215	76,330	180,545
Compensated absences - current portion	6,085	3,881	9,966
Bonds payable - current portion	32,356	104,755	137,111
Capital lease - current portion	31,917	-	31,917
Total current liabilities	<u>\$ 245,636</u>	<u>\$ 200,898</u>	<u>\$ 446,534</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 2,028	\$ 1,294	\$ 3,322
Bonds payable - net of current portion	1,770,819	794,349	2,565,168
Capital lease - net of current portion	32,890	-	32,890
Total noncurrent liabilities	<u>\$ 1,805,737</u>	<u>\$ 795,643</u>	<u>\$ 2,601,380</u>
Total liabilities	<u>\$ 2,051,373</u>	<u>\$ 996,541</u>	<u>\$ 3,047,914</u>
NET POSITION			
Net investment in capital assets	\$ 202,419	\$ 2,579,745	\$ 2,782,164
Unrestricted	477,055	208,018	685,073
Total net position	<u><u>\$ 679,474</u></u>	<u><u>\$ 2,787,763</u></u>	<u><u>\$ 3,467,237</u></u>

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

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

	Enterprise Fund	Enterprise Fund	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 649,314	\$ -	\$ 649,314
Sewer revenues	-	544,303	544,303
Other revenues	104,911	-	104,911
Total operating revenues	<u>\$ 754,225</u>	<u>\$ 544,303</u>	<u>\$ 1,298,528</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 201,820	\$ 151,515	\$ 353,335
Utilities	43,677	41,891	85,568
Maintenance, repairs and operational supplies	58,781	63,505	122,286
Office expense	16,547	3,300	19,847
Insurance	12,439	11,946	24,385
Professional Services	20,777	-	20,777
Water purchases	281,708	-	281,708
Training	327	-	327
Miscellaneous	4,773	2,596	7,369
Depreciation	52,076	142,970	195,046
Total operating expenses	<u>\$ 692,925</u>	<u>\$ 417,723</u>	<u>\$ 1,110,648</u>
Operating income (loss)	<u>\$ 61,300</u>	<u>\$ 126,580</u>	<u>\$ 187,880</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ -	\$ 957	\$ 957
Interest expense	(37,857)	(23,080)	(60,937)
Total nonoperating revenues (expenses)	<u>\$ (37,857)</u>	<u>\$ (22,123)</u>	<u>\$ (59,980)</u>
Income before contributions and transfers	<u>\$ 23,443</u>	<u>\$ 104,457</u>	<u>\$ 127,900</u>
Capital contributions	6,286	2,643	8,929
Transfers in	78,136	1,483	79,619
Transfers out	(26,485)	(37,803)	(64,288)
Change in net position	<u>\$ 81,380</u>	<u>\$ 70,780</u>	<u>\$ 152,160</u>
Total net position - beginning	598,094	2,716,983	3,315,077
Total net position - ending	<u>\$ 679,474</u>	<u>\$ 2,787,763</u>	<u>\$ 3,467,237</u>

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

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

	Enterprise Fund	Enterprise Fund	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 774,617	\$ 520,611	\$ 1,295,228
Payments to suppliers	(456,355)	(122,633)	(578,988)
Payments to and for employees	(202,291)	(152,656)	(354,947)
Net cash provided by (used for) operating activities	<u>\$ 115,971</u>	<u>\$ 245,322</u>	<u>\$ 361,293</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (26,485)	\$ (37,803)	\$ (64,288)
Transfers from other funds	78,136	1,483	79,619
Advances from other funds	5,278	7,750	13,028
Net cash provided by (used for) noncapital financing activities	<u>\$ 56,929</u>	<u>\$ (28,570)</u>	<u>\$ 28,359</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital outlays	\$ (181,096)	\$ (88,623)	\$ (269,719)
Principal payments on bonds	(33,376)	(102,540)	(135,916)
Principal payments on capital leases	(30,972)	-	(30,972)
Capital contributions	6,286	2,643	8,929
Proceeds from indebtedness	201,635	-	201,635
Interest payments	(37,669)	(23,996)	(61,665)
Net cash provided by (used for) capital and related financing activities	<u>\$ (75,192)</u>	<u>\$ (212,516)</u>	<u>\$ (287,708)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ -	\$ 957	\$ 957
Net cash provided by (used for) investing activities	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ 957</u>
Net increase (decrease) in cash and cash equivalents	\$ 97,708	\$ 5,193	\$ 102,901
Cash and cash equivalents - beginning (including restricted of \$16,575)	\$ 439,433	\$ 191,015	\$ 630,448
Cash and cash equivalents - ending (including restricted of \$39,455)	<u>\$ 537,141</u>	<u>\$ 196,208</u>	<u>\$ 733,349</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 61,300	\$ 126,580	\$ 187,880
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 52,076	\$ 142,970	\$ 195,046
(Increase) decrease in accounts receivable	(2,488)	(23,692)	(26,180)
Increase (decrease) in customer deposits	22,880	-	22,880
Increase (decrease) in accounts payable	(17,326)	605	(16,721)
Increase (decrease) in compensated absences	(471)	(1,141)	(1,612)
Total adjustments	<u>\$ 54,671</u>	<u>\$ 118,742</u>	<u>\$ 173,413</u>
Net cash provided by (used for) operating activities	<u>\$ 115,971</u>	<u>\$ 245,322</u>	<u>\$ 361,293</u>

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

TOWN OF PEARISBURG, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established by GAAP and used by the Town are discussed below.

A. Financial reporting entity:

The Town of Pearisburg, Virginia (the Town) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

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

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds. The general fund includes activity of the following funds: eastside cemetery fund, park fund, repair/replacement fund, adult day care fund, downtown grant, library expansion fund, fire truck fund, community center fund, and fire department fund. The Town maintains these funds separately in internal financial statements; however, for financial reporting purposes these funds are merged with the general fund.

The Town reports the following major proprietary funds:

Proprietary funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary funds consist of enterprise funds.

Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise funds consist of the water fund and the sewer fund.

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

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

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on March 15th. Personal property taxes are due and collectible annually on March 15th. The Town bills and collects its own property taxes.

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 \$25,881 at June 30, 2014 and is comprised solely of property taxes. Historically, the Town's water and sewer funds have not had significant write offs of uncollectible accounts, therefore an allowance for uncollectible accounts is not necessary.

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

4. Use of Estimates

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

Assets	Years
Buildings	40
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

6. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Note 1-Summary of Significant Accounting Policies: (continued)

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

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

8. Fund Equity

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

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

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

8. Fund Equity (continued)

The Town 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 the Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

9. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

10. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation.

11. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to 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.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

12. Deferred Outflows/Inflows of Resources: (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount (comprised of uncollected property taxes due prior to June 30 and amounts prepaid on taxes due the following December 5th) is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid taxes are reported as deferred inflows of resources.

13. Net Position Flow Assumption

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

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to 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. The General Fund has a legally adopted budget.
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 function level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Deficit fund equity

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

Note 3-Deposits and Investments:

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

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

Note 3-Deposits and Investments: (continued)

Investments: Statutes authorize local governments and other public bodies 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, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

At June 30, 2014 the Town had no investments.

Note 4-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 15,097	\$ 30,428
Water and Sewer Funds	79,619	64,288
Total	<u>\$ 94,716</u>	<u>\$ 94,716</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Interfund balances for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Primary Government:		
General Fund	\$ 157,763	\$ -
Water Fund	14,389	(104,215)
Sewer Fund	8,393	(76,330)
Total	<u>\$ 180,545</u>	<u>\$ (180,545)</u>

This amount is comprised of various advances made to the Water and Sewer Funds over the past several years.

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Noncategorical aid	\$ 30,159
Total	<u>\$ 30,159</u>

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

Note 6-Long-term Obligations:**Governmental Activities Obligations:**

The following is a summary of long-term obligation transactions of the governmental activities for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Capital Leases	\$ 29,660	\$ -	\$ (29,660)	\$ -
Bonds Payable	2,749,571	2,946,428	(2,883,999)	2,812,000
Net OPEB Obligation	158,128	128,345	(21,576)	264,897
Compensated Absences	116,360	96,111	(87,270)	125,201
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,053,719</u>	<u>\$ 3,170,884</u>	<u>\$ (3,022,505)</u>	<u>\$ 3,202,098</u>

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

Year Ending June 30,	Bonds Payable	
	Principal	Interest
2015	\$ 116,000	\$ 72,689
2016	117,000	70,013
2017	122,000	67,285
2018	125,000	64,434
2019	129,000	61,566
2020-2024	560,000	262,379
2025-2029	476,000	197,505
2030-2034	545,000	129,403
2035-2039	622,000	51,463
	<u> </u>	<u> </u>
Totals	<u>\$ 2,812,000</u>	<u>\$ 976,737</u>

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

Note 6-Long-term Obligations: (continued)Governmental Activities Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable</u>		
\$585,000 General Obligation Refunding Bond, Series 2013A issued July 30, 2013 bearing interest at 2.10% annually. Principal and interest payments begin on October 1, 2013 and continue semi-annually for nine (9) years or until debt is satisfied.	\$ 511,000	\$ 75,000
 \$2,331,000 General obligation refunding bond 2013B issued July 1, 2013 bearing interest at 2.71% until and including July 31, 2023. The interest rate on this bond will be adjusted on August 1, 2023 and on August 1 of every fifth year thereafter to a rate per annum equal to the U.S. Treasury Securities Rate then in effect plus 1.25%; provided, however, that the interest rate on this Bond shall not be less than 2.43% per annum nor greater than 4.00% per annum. Principal and interest payments are due semi-annually until April 1, 2039.	 2,301,000	 41,000
Total Bonds Payable	\$ 2,812,000	\$ 116,000
<u>Other Obligations</u>		
Net OPEB Obligation	\$ 264,897	\$ -
Compensated Absences	125,201	93,901
Total Other Obligations	\$ 390,098	\$ 93,901
Total Long-term Obligations	\$ 3,202,098	\$ 209,901

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

Note 6-Long-term Obligations: (continued)Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Funds for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Revenue bond	\$ 734,517	\$ -	\$ (51,732)	\$ 682,785
Bonds payable	1,902,043	201,635	(84,184)	2,019,494
Capital leases (Note 7)	95,779	-	(30,972)	64,807
Compensated absences	14,900	9,563	(11,175)	13,288
Total	<u>\$ 2,747,239</u>	<u>\$ 211,198</u>	<u>\$ (178,063)</u>	<u>\$ 2,780,374</u>

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

Year Ending June 30,	Bonds Payable		Revenue Bond	
	Principal	Interest	Principal	Interest
2015	\$ 84,168	\$ 41,887	\$ 52,943	\$ 20,780
2016	86,387	39,668	54,597	19,126
2017	88,667	37,388	56,303	17,421
2018	90,493	35,047	58,062	15,662
2019	35,049	33,076	59,876	13,848
2020-2024	186,144	154,476	328,632	39,984
2025-2029	205,704	134,916	72,372	958
2030-2034	227,319	113,301	-	-
2035-2039	251,205	89,415	-	-
2040-2044	277,602	63,018	-	-
2045-2049	306,772	33,848	-	-
2050-2052	179,984	5,080	-	-
Totals	<u>\$ 2,019,494</u>	<u>\$ 781,120</u>	<u>\$ 682,785</u>	<u>\$ 127,779</u>

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TOWN OF PEARISBURG, VIRGINIA

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

Note 6-Long-term Obligations: (continued)

Business-type Activities Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable</u>		
\$922,939 general obligation bond bearing interest at 3.0% issued in December 1996 due in semi-annual installments of \$31,430 including principal and interest through April 2018.	\$ 216,319	\$ 51,812
\$1,843,000 Water and Sewer Facilities Bond, Series 2012A bearing interest at 2.0% annually. Principal and interest payments of \$5,677 are due monthly through April 10, 2052.	1,803,175	32,356
Total Bonds Payable	\$ 2,019,494	\$ 84,168
<u>Revenue Bond:</u>		
\$959,425 revenue bond bearing interest at 3.1% issued May 28, 2004 due in semi-annual installments of \$37,795 including principal and interest beginning March 1, 2006 through September 1, 2025.	\$ 682,785	\$ 52,943
<u>Other Obligations:</u>		
Capital leases (see Note 7)	\$ 64,807	\$ 31,917
Compensated absences	13,288	9,966
Total Long-term Obligations	\$ 2,780,374	\$ 178,994

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

Note 7-Capital Leases:**Business-type activities:**

The Town has entered into lease agreements for the acquisition of numerous radio read meters. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases were (individually) below the Town's capitalization threshold and, therefore, are not shown on the books as capital assets.

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

Fiscal Year Ended	Business-type Activities
2015	\$ 33,893
2016	33,893
Total minimum lease payments	\$ 67,786
Less: amount representing interest	(2,979)
Present value of minimum lease payments	\$ 64,807

Note 8- Pension Plan:**A. Plan Description**

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. 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 service credit in their plan.

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

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

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

VRS – PLAN 1

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

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

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

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

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

VRS – PLAN 1 (continued)

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

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

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

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

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

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

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

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

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

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

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

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

VRS – PLAN 1 (continued)

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

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

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

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

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

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

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

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

VRS – PLAN 1 (continued)

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

VRS – PLAN 2

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

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

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

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

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

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

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

VRS – PLAN 2 (continued)

9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

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

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN

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

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (continued)

3. Non-Eligible Members (continued)

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

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

5. Creditable Service

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

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

6. Vesting

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

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (continued)

6. Vesting (continued)

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

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

Distribution is not required by law until age 70½.

7. Calculating the Benefit

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

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

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

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

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

10. Normal Retirement Age

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

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

11. Earliest Unreduced Retirement Eligibility

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

Note 8-Pension Plan: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (continued)

11. Earliest Unreduced Retirement Eligibility (continued)

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

12. Earliest Reduced Retirement Eligibility

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

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

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

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

Defined Contribution Component – Not Applicable.

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

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

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

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

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

17. Purchase of Prior Service

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

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

Note 8-Pension Plan: (continued)A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (continued)

17. Purchase of Prior Service (continued)

Defined Contribution Component – Not Applicable.

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 11.60% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$139,900 was equal to the Town's required and actual contributions.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014*	\$ 139,900	100%	\$ -
June 30, 2013	139,439	100%	-
June 30, 2012	78,587	100%	-

* Employer portion only

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

Note 8-Pension Plan: (continued)

C. Annual Pension Cost: (continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.50% to 5.35% per year for general government employees, 3.50% to 5.35% per year for teachers, and 3.50% to 4.75% per year 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 71.17% funded. The actuarial accrued liability for benefits was \$6,213,349, and the actuarial value of assets was \$4,422,227, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,791,122. The covered payroll (annual payroll of active employees covered by the plan) was \$1,184,484 and ratio of the UAAL to the covered payroll was 151.22%.

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

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 182,067	\$ -	\$ -	\$ 182,067
Total capital assets not being depreciated	<u>\$ 182,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,067</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,034,839	\$ -	\$ -	\$ 4,034,839
Improvements other than buildings	1,862,703	-	-	1,862,703
Machinery and equipment	1,967,601	19,570	-	1,987,171
Total capital assets being depreciated	<u>\$ 7,865,143</u>	<u>\$ 19,570</u>	<u>\$ -</u>	<u>\$ 7,884,713</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,007,668)	\$ (114,355)	\$ -	\$ (1,122,023)
Improvements other than buildings	(150,438)	(74,508)	-	(224,946)
Machinery and equipment	(1,104,340)	(89,444)	-	(1,193,784)
Total accumulated depreciation	<u>\$ (2,262,446)</u>	<u>\$ (278,307)</u>	<u>\$ -</u>	<u>\$ (2,540,753)</u>
Total capital assets being depreciated, net	<u>\$ 5,602,697</u>	<u>\$ (258,737)</u>	<u>\$ -</u>	<u>\$ 5,343,960</u>
Governmental activities capital assets, net	<u>\$ 5,784,764</u>	<u>\$ (258,737)</u>	<u>\$ -</u>	<u>\$ 5,526,027</u>

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

Note 9-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,609,227	\$ 123,177	\$ (1,732,404)	\$ -
Total capital assets not being depreciated	<u>\$ 1,609,227</u>	<u>\$ 123,177</u>	<u>\$ (1,732,404)</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 6,636,535	\$ 1,764,339	\$ -	\$ 8,400,874
Machinery and equipment	353,725	30,205	-	383,930
Total capital assets being depreciated	<u>\$ 6,990,260</u>	<u>\$ 1,794,544</u>	<u>\$ -</u>	<u>\$ 8,784,804</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (2,807,502)	\$ (163,349)	\$ -	\$ (2,970,851)
Machinery and equipment	(233,006)	(31,697)	-	(264,703)
Total accumulated depreciation	<u>\$ (3,040,508)</u>	<u>\$ (195,046)</u>	<u>\$ -</u>	<u>\$ (3,235,554)</u>
Total capital assets being depreciated, net	<u>\$ 3,949,752</u>	<u>\$ 1,599,498</u>	<u>\$ -</u>	<u>\$ 5,549,250</u>
Business-type activities capital assets, net	<u>\$ 5,558,979</u>	<u>\$ 1,722,675</u>	<u>\$ (1,732,404)</u>	<u>\$ 5,549,250</u>

Construction payables at the end of the current and prior fiscal years totaled \$0 and \$84,402, respectively.

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

Governmental activities:

General government administration	\$ 38,047
Public safety	124,661
Public works	95,851
Parks, recreation, and cultural	<u>19,748</u>

Total depreciation expense - governmental activities	<u>\$ 278,307</u>
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Business-type activities:

Water	\$ 52,076
Sewer	<u>142,970</u>

Total depreciation expense - business-type activities	<u>\$ 195,046</u>
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Note 10-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of property, general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11-Other Postemployment Benefits – Health Insurance:

Beginning in fiscal year 2010, the Town of Pearisburg implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) including healthcare and other non-pension benefits offered to retirees. This standard determines how the Town of Pearisburg should account for and report its costs related to postemployment healthcare. GASB Statement No. 45 requires that the Town of Pearisburg recognize the cost of retiree health benefits during the period of active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability (UAAL) in order to accurately account for the total future cost of postemployment benefits and their financial impact.

A. Plan Description

The Town allows retirees to participate in health insurance programs that are offered. To participate, a retiree must have reached age 50 and completed at least 10 years of full-time service. Retirees are required to contribute 100% of their health insurance premiums to the Town. The retirees' health insurance rates are not age adjusted; rather the retirees pay the same premium as active employees.

B. Funding Policy

The contribution requirements of the Town and the plan members are established and may be amended by the Town. The Town currently pays for post-retirement health care benefits on a pay-as-you-go basis. Retirees are responsible for the payment of 100% of the health care insurance rates shown below:

<u>Participants</u>	<u>Monthly Premium</u>
Employee	\$ 523.00
Employee / Spouse	968.00
Family	1,412.00

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

Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**C. Annual OPEB Cost and Net OPEB Obligation**

The Town is required to compute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$	127,291
Interest on net OPEB obligation		6,325
Adjustment to annual required contribution		(5,271)
Annual OPEB cost (expense)		128,345
Contributions made		(21,576)
Increase in net OPEB obligation		106,769
Net OPEB obligation - beginning of year		158,128
Net OPEB obligation - ending of year	\$	264,897

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 128,345	17%	\$ 264,897
6/30/2013	60,634	56%	158,128
6/30/2012	60,359	32%	131,451

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2014, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	1,153,987
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	1,153,987
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (annual payroll of active employees covered by the plan)	\$	1,208,890
UAAL as a percentage of covered payroll		95.46%

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

Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**D. Funded Status and Funding Progress (continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and inflation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2014 actuarial valuation, the entry age actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility.

The actuarial assumptions for the Town include:

	<u>Assumptions</u>
Amortization period	30 years
Investment rate of return	4%
Payroll growth	3.75%
Age adjustment factor	2.094552
Health Contribution rate	4.2% graded to 5.6% over ten years

The UAAL is being amortized as a level percentage of payroll over the remaining amortization period, which at June 30, 2014, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

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TOWN OF PEARISBURG, VIRGINIA

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

Note 12-Surety Bonds:

Selective Insurance

All employees-Blanket Bond	\$	5,000
Position Bonds:		
Treasurer and/or Town Clerk		100,000
Town Manager		100,000
Mayor		100,000
Engineer		100,000

Note 13-Committed Funds:

<i>Committed Funds</i>	<i>Balance</i>
Library Donation Fund	\$ 15,658
Downtown Grant Fund	300
Fire Truck Fund	69,190
Community Center Fund	4,542
Fire Department Fund	355,002
Total	\$ 444,692

Note 14-Deferred Inflows of Resources:

At June 30, 2014, the Town's deferred inflows of resources consisted of the following:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 90,116
Prepaid taxes relating to taxes due in a future period	635	635
Total deferred inflows of resources	\$ 635	\$ 90,751

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

Note 15-Upcoming Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require governments with defined benefit pension plans to disclose a “net pension liability” on their balance sheets. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. This standard will be effective for fiscal year ending June 30, 2015. The Town believes the implementation of Statement No. 68 will significantly impact the Town’s net position; however, no formal study or estimate of the impact of this standard has been performed.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 722,900	\$ 722,900	\$ 760,664	\$ 37,764
Other local taxes	925,100	925,100	948,984	23,884
Permits, privilege fees, and regulatory licenses	10,500	10,500	5,607	(4,893)
Fines and forfeitures	55,300	55,300	45,564	(9,736)
Revenue from the use of money and property	13,200	13,200	9,754	(3,446)
Charges for services	122,400	122,400	102,630	(19,770)
Miscellaneous	51,256	51,256	118,817	67,561
Recovered costs	21,150	21,150	26,909	5,759
Intergovernmental revenues:				
Commonwealth	804,379	804,379	747,606	(56,773)
Federal	-	-	9,950	9,950
Total revenues	<u>\$ 2,726,185</u>	<u>\$ 2,726,185</u>	<u>\$ 2,776,485</u>	<u>\$ 50,300</u>
EXPENDITURES				
Current:				
General government administration	\$ 501,504	\$ 501,504	\$ 503,272	\$ (1,768)
Public safety	777,042	777,042	785,785	(8,743)
Public works	624,017	624,017	622,367	1,650
Parks, recreation, and cultural	507,177	507,177	499,908	7,269
Capital projects	509,025	509,025	98,134	410,891
Debt service:				
Principal retirement	136,480	136,480	136,480	-
Interest and other fiscal charges	78,699	78,699	140,882	(62,183)
Bond issuance costs	-	-	49,207	(49,207)
Total expenditures	<u>\$ 3,133,944</u>	<u>\$ 3,133,944</u>	<u>\$ 2,836,035</u>	<u>\$ 297,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (407,759)</u>	<u>\$ (407,759)</u>	<u>\$ (59,550)</u>	<u>\$ 348,209</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 15,097	\$ 15,097
Transfers out	-	-	(30,428)	(30,428)
Issuance of general obligation bonds	352,930	352,930	30,428	(322,502)
Issuance of refunding bonds	-	-	2,916,000	2,916,000
Payment to escrow agent	-	-	(2,777,179)	(2,777,179)
Total other financing sources (uses)	<u>\$ 352,930</u>	<u>\$ 352,930</u>	<u>\$ 153,918</u>	<u>\$ (199,012)</u>
Net change in fund balance	\$ (54,829)	\$ (54,829)	\$ 94,368	\$ 149,197
Fund balance - beginning	58,157	58,157	731,229	673,072
Fund balance - ending	<u>\$ 3,328</u>	<u>\$ 3,328</u>	<u>\$ 825,597</u>	<u>\$ 822,269</u>

Town of Pearisburg, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

Town Retirement Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 4,422,227	\$ 6,213,349	\$ 1,791,122	71.17%	\$ 1,184,484	151.22%
6/30/2012	4,356,814	6,107,834	1,751,020	71.33%	1,127,457	155.31%
6/30/2011	4,519,135	5,839,759	1,320,624	77.39%	1,063,590	124.17%

Town OPEB Healthcare Plan*:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2014	\$ -	\$ 1,153,987	\$ 1,153,987	-	\$ 1,208,890	95.46%
6/30/2010	-	818,047	818,047	-	1,063,854	76.89%

*Only available for two years

OTHER SUPPLEMENTARY INFORMATION

SUPPORTING SCHEDULES

Town of Pearisburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2014

Schedule 1
Page 1 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 563,100	\$ 563,100	\$ 571,607	\$ 8,507
Personal property taxes	155,000	155,000	180,028	25,028
Penalties and Interest	4,800	4,800	9,029	4,229
Total general property taxes	<u>\$ 722,900</u>	<u>\$ 722,900</u>	<u>\$ 760,664</u>	<u>\$ 37,764</u>
Other local taxes:				
Local sales and use taxes	\$ 138,000	\$ 138,000	\$ 127,773	\$ (10,227)
Consumers' utility taxes	58,500	58,500	58,141	(359)
Business license taxes	245,000	245,000	247,756	2,756
Consumption taxes	12,500	12,500	13,151	651
Motor vehicle licenses	36,000	36,000	36,954	954
Bank stock taxes	90,900	90,900	92,229	1,329
Hotel and motel room taxes	9,200	9,200	9,966	766
Restaurant food taxes	335,000	335,000	363,014	28,014
Total other local taxes	<u>\$ 925,100</u>	<u>\$ 925,100</u>	<u>\$ 948,984</u>	<u>\$ 23,884</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 10,500	\$ 10,500	\$ 5,607	\$ (4,893)
Total permits, privilege fees, and regulatory licenses	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ 5,607</u>	<u>\$ (4,893)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 51,000	\$ 51,000	\$ 41,944	\$ (9,056)
Parking Fines	1,500	1,500	1,165	(335)
Fines and Fees	2,800	2,800	2,455	(345)
Total fines and forfeitures	<u>\$ 55,300</u>	<u>\$ 55,300</u>	<u>\$ 45,564</u>	<u>\$ (9,736)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 5,700	\$ 5,700	\$ 4,054	\$ (1,646)
Revenue from use of property	7,500	7,500	5,700	(1,800)
Total revenue from use of money and property	<u>\$ 13,200</u>	<u>\$ 13,200</u>	<u>\$ 9,754</u>	<u>\$ (3,446)</u>
Charges for services:				
Use of copy machine	\$ 3,100	\$ 3,100	\$ 3,990	\$ 890
Use of public right of way	13,000	13,000	11,773	(1,227)
Fire assessment fee	50,000	50,000	47,875	(2,125)
Swimming pool	31,600	31,600	26,301	(5,299)
Concessions	21,500	21,500	9,803	(11,697)
Charges for parks and recreation	2,950	2,950	2,506	(444)
Charges for library	250	250	382	132
Total charges for services	<u>\$ 122,400</u>	<u>\$ 122,400</u>	<u>\$ 102,630</u>	<u>\$ (19,770)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 17,156	\$ 17,156	\$ 61,567	\$ 44,411
Grants and contributions	34,100	34,100	57,250	23,150
Total miscellaneous revenue	<u>\$ 51,256</u>	<u>\$ 51,256</u>	<u>\$ 118,817</u>	<u>\$ 67,561</u>

Town of Pearisburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2014

Schedule 1
Page 2 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
County of Giles - recreation	\$ 4,150	\$ 4,150	\$ 1,750	\$ (2,400)
VML insurance settlement	2,000	2,000	10,159	8,159
County of Giles - fire assessment	15,000	15,000	15,000	-
Total recovered costs	<u>\$ 21,150</u>	<u>\$ 21,150</u>	<u>\$ 26,909</u>	<u>\$ 5,759</u>
Total revenue from local sources	<u>\$ 1,921,806</u>	<u>\$ 1,921,806</u>	<u>\$ 2,018,929</u>	<u>\$ 97,123</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 1,700	\$ 1,700	\$ 2,444	\$ 744
Motor vehicle rental tax	15,000	15,000	11,140	(3,860)
Communications taxes	26,500	26,500	24,816	(1,684)
Personal property tax relief funds	92,197	92,197	92,197	-
Total noncategorical aid	<u>\$ 135,397</u>	<u>\$ 135,397</u>	<u>\$ 130,597</u>	<u>\$ (4,800)</u>
Categorical aid:				
Other categorical aid:				
Police block grant	\$ 85,932	\$ 85,932	\$ 80,371	\$ (5,561)
Library funds	49,610	49,610	49,610	-
Litter control grant	1,288	1,288	1,640	352
Fire programs	11,652	11,652	11,852	200
Street maintenance	450,000	450,000	462,804	12,804
VDOT revenue sharing	60,000	60,000	-	(60,000)
Asset forfeiture funds	500	500	-	(500)
Local law enforcement block grants	-	-	1,426	1,426
Emergency response and recovery	-	-	5,306	5,306
Safe routes to schools	6,000	6,000	-	(6,000)
Arts grant	4,000	4,000	4,000	-
Total other categorical aid	<u>\$ 668,982</u>	<u>\$ 668,982</u>	<u>\$ 617,009</u>	<u>\$ (51,973)</u>
Total categorical aid	<u>\$ 668,982</u>	<u>\$ 668,982</u>	<u>\$ 617,009</u>	<u>\$ (51,973)</u>
Total revenue from the Commonwealth	<u>\$ 804,379</u>	<u>\$ 804,379</u>	<u>\$ 747,606</u>	<u>\$ (56,773)</u>
Revenue from the federal government:				
Categorical aid:				
Emergency Response and Recovery	\$ -	\$ -	\$ 9,950	\$ 9,950
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,950</u>	<u>\$ 9,950</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,950</u>	<u>\$ 9,950</u>
Total General Fund	<u><u>\$ 2,726,185</u></u>	<u><u>\$ 2,726,185</u></u>	<u><u>\$ 2,776,485</u></u>	<u><u>\$ 50,300</u></u>

Town of Pearisburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2014

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Legislative	\$ 81,409	\$ 81,409	\$ 85,051	\$ (3,642)
General and financial administration:				
Administrative	\$ 396,945	\$ 396,945	\$ 396,600	\$ 345
Legal services	23,150	23,150	21,621	1,529
Total general and financial administration	\$ 420,095	\$ 420,095	\$ 418,221	\$ 1,874
Total general government administration	\$ 501,504	\$ 501,504	\$ 503,272	\$ (1,768)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 622,567	\$ 622,567	\$ 625,766	\$ (3,199)
Fire and rescue services:				
Fire department	\$ 82,550	\$ 82,550	\$ 89,874	\$ (7,324)
Inspections:				
Building	\$ 71,925	\$ 71,925	\$ 70,145	\$ 1,780
Total public safety	\$ 777,042	\$ 777,042	\$ 785,785	\$ (8,743)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 444,663	\$ 444,663	\$ 443,224	\$ 1,439
Administration	53,502	53,502	52,659	843
Total maintenance of highways, streets, bridges & sidewalks	\$ 498,165	\$ 498,165	\$ 495,883	\$ 2,282
Maintenance of general buildings and grounds:				
General properties	\$ 52,000	\$ 52,000	\$ 47,516	\$ 4,484
Equipment operations	73,852	73,852	78,968	(5,116)
Total maintenance of general buildings and grounds	\$ 125,852	\$ 125,852	\$ 126,484	\$ (632)
Total public works	\$ 624,017	\$ 624,017	\$ 622,367	\$ 1,650
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 141,593	\$ 141,593	\$ 157,111	\$ (15,518)
Total parks and recreation	\$ 141,593	\$ 141,593	\$ 157,111	\$ (15,518)
Cultural enrichment:				
Community center	\$ 100,078	\$ 100,078	\$ 76,886	\$ 23,192
Library:				
Municipal library	\$ 265,506	\$ 265,506	\$ 265,911	\$ (405)
Total parks, recreation, and cultural	\$ 507,177	\$ 507,177	\$ 499,908	\$ 7,269

Town of Pearisburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2014

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Community Center improvements	\$ -	\$ -	\$ 3,087	\$ (3,087)
Paving projects	120,000	120,000	58,170	61,830
Fire department renovations	352,930	352,930	-	352,930
Other capital projects/outlays	36,095	36,095	36,877	(782)
Total capital projects	<u>\$ 509,025</u>	<u>\$ 509,025</u>	<u>\$ 98,134</u>	<u>\$ 410,891</u>
Debt service:				
Principal retirement	\$ 136,480	\$ 136,480	\$ 136,480	\$ -
Interest and other fiscal charges	78,699	78,699	140,882	(62,183)
Bond issuance costs	-	-	49,207	(49,207)
Total debt service	<u>\$ 215,179</u>	<u>\$ 215,179</u>	<u>\$ 326,569</u>	<u>\$ (111,390)</u>
Total General Fund	<u>\$ 3,133,944</u>	<u>\$ 3,133,944</u>	<u>\$ 2,836,035</u>	<u>\$ 297,909</u>

STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Water	Sewer	Total
2004-05	\$ 397,938	\$ -	\$ 675,910	\$ 597,664	\$ 338,372	\$ -	\$ 41,648	\$ 513,723	\$ 363,019	\$ 2,928,274
2005-06	453,924	-	587,983	627,112	391,453	56,515	39,609	637,499	426,623	3,220,718
2006-07	492,338	3,278	599,289	699,539	432,660	104,017	18,346	547,416	414,764	3,311,647
2007-08	441,035	-	609,946	681,412	552,588	467,720	33,155	674,962	404,614	3,865,432
2008-09	465,405	-	219,846	650,607	441,188	145,902	33,517	666,301	434,442	3,057,208
2009-10	517,968	-	680,993	591,225	477,268	4,770	39,042	685,506	417,861	3,414,633
2010-11	549,377	-	635,867	491,509	485,153	249,112	36,026	957,682	425,960	3,830,686
2011-12	534,263	-	756,537	657,984	449,127	30,461	58,380	704,148	417,653	3,608,553
2012-13	559,957	-	793,064	847,786	477,905	8,502	112,448	803,130	449,432	4,052,224
2013-14	629,447	-	886,224	795,867	522,866	-	127,602	730,782	440,803	4,133,591

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2004-05	\$ 1,007,302	\$ 577,883	\$ 2,000	\$ 472,127	\$ 719,039	\$ 19,481	\$ 64,555	\$ 88,799	\$ 2,951,186	
2005-06	1,228,347	642,068	177,732	527,674	758,584	31,944	67,947	92,373	3,526,669	
2006-07	1,142,286	569,393	595,507	555,271	770,631	29,893	73,225	96,927	3,833,133	
2007-08	1,330,458	1,039,566	-	575,930	786,173	27,331	77,374	101,669	3,938,501	
2008-09	1,311,793	619,838	167,799	567,885	836,621	22,369	71,189	102,821	3,700,315	
2009-10	1,352,053	555,720	1,230,214	561,893	843,763	18,403	75,137	102,213	4,739,396	
2010-11	1,321,388	651,739	240,306	627,183	892,302	13,836	137,599	103,136	3,987,489	
2011-12	1,327,840	655,112	33,941	639,809	912,040	17,026	95,922	99,808	3,781,498	
2012-13	1,286,648	673,619	8,244	673,805	913,770	19,558	89,360	137,640	3,802,644	
2013-14	1,452,329	620,227	8,929	761,614	948,984	10,711	96,317	137,329	4,036,440	

Table 3

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2004-05	\$ 468,163	\$ 683,261	\$ 665,848	\$ 401,833	\$ -	\$ 17,407	\$ 106,462	\$ 2,342,974
2005-06	404,614	552,442	656,958	437,943	87,224	23,650	106,461	2,269,292
2006-07	500,741	618,056	1,068,703	464,226	190,484	24,562	88,348	2,955,120
2007-08	438,334	654,790	696,582	536,836	467,720	-	106,461	2,900,723
2008-09	433,273	1,091,493	792,635	569,934	145,902	-	92,758	3,125,995
2009-10	446,410	1,227,400	551,677	454,727	4,770	-	127,055	2,812,039
2010-11	441,788	698,127	562,792	471,613	-	-	127,055	2,301,375
2011-12	451,380	728,096	524,063	441,738	-	-	127,055	2,272,332
2012-13	506,006	783,578	680,362	472,686	-	-	164,588	2,607,220
2013-14	503,272	785,785	622,367	499,908	-	-	326,569	2,737,901

(1) Amounts exclusive of capital projects.

Table 4

Town of Pearisburg, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
2004-05	\$ 477,232	\$ 719,039	\$ 3,555	\$ 74,321	\$ 17,693	\$ 102,198	\$ 64,555	\$ 78,290	\$ 666,682	\$ 2,203,565
2005-06	528,459	758,584	6,213	69,410	24,945	118,718	67,947	84,480	910,173	2,568,929
2006-07	551,126	770,631	6,456	65,610	22,989	115,615	73,225	179,402	1,242,952	3,028,006
2007-08	575,638	786,173	7,063	45,550	21,832	133,150	99,426	59,112	1,141,235	2,869,179
2008-09	558,128	836,621	21,361	32,596	19,029	124,421	70,365	436,762	845,392	2,944,675
2009-10	563,053	843,763	8,944	40,507	13,838	121,675	74,586	23,990	1,474,985	3,165,341
2010-11	626,456	892,302	10,660	41,834	11,585	118,452	137,599	27,672	978,817	2,845,377
2011-12	625,803	912,040	2,888	49,717	14,394	120,217	98,188	30,170	772,170	2,625,587
2012-13	648,560	913,770	10,521	49,713	17,316	112,192	89,360	61,487	811,259	2,714,178
2013-14	760,664	948,984	5,607	45,564	9,754	102,630	118,817	26,909	757,556	2,776,485

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2) (3)	Percent of Delinquent Taxes to Tax Levy
2004-05	\$ 561,180	\$ 540,428	96.30%	\$ 14,950	\$ 555,378	98.97%	\$ 45,246	8.06%
2005-06	616,371	581,187	94.29%	24,754	605,941	98.31%	43,720	7.09%
2006-07	548,227	524,732	95.71%	17,222	541,954	98.86%	58,295	10.63%
2007-08	565,465	543,362	96.09%	25,695	569,057	100.64%	40,968	7.25%
2008-09	564,547	537,439	95.20%	13,589	551,028	97.61%	55,646	9.86%
2009-10	571,979	533,593	93.29%	23,856	557,449	97.46%	53,079	9.28%
2010-11	628,636	596,671	94.92%	25,428	622,099	98.96%	55,727	8.86%
2011-12	641,076	605,490	94.45%	17,217	622,707	97.13%	63,921	9.97%
2012-13	662,512	628,064	94.80%	11,919	639,983	96.60%	93,163	14.06%
2013-14	768,317	725,816	94.47%	26,136	751,952	97.87%	94,125	12.25%

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Delinquent taxes are exclusive of penalties and interest and do not include amounts due under the State's personal property tax relief program.

(3) Net of an allowance for doubtful accounts.

Table 6

Town of Pearisburg, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Machinery and Tools	Public Utility	Total
2004-05	\$ 104,597,500	\$ 21,401,238	\$ 404,085	\$ 4,951,761	\$ 131,354,584
2005-06	134,272,800	22,528,723	381,154	5,824,971	163,007,648
2006-07	141,796,200	24,170,079	381,154	4,966,915	171,314,348
2007-08	143,463,900	23,313,107	2,197,682	4,632,913	173,607,602
2008-09	143,141,200	24,055,455	2,462,724	4,664,449	174,323,828
2009-10	178,542,700	21,738,899	3,153,394	6,036,350	209,471,343
2010-11	176,294,200	23,943,622	3,283,936	6,032,141	209,553,899
2011-12	176,846,600	24,616,274	3,187,800	5,727,868	210,378,542
2012-13	177,220,300	26,099,321	4,799,641	5,961,684	214,080,946
2013-14	178,144,100	26,797,085	4,687,444	5,705,760	215,334,389

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property
2004-05	\$ 0.33	\$ 0.33	\$ 0.938
2005-06	0.29	0.29	0.938
2006-07	0.29	0.29	0.938
2007-08	0.29	0.29	0.938
2008-09	0.29	0.29	0.938
2009-10	0.24	0.24	0.938
2010-11	0.27	0.27	0.938
2011-12	0.27	0.27	0.938
2012-13	0.27	0.27	0.938
2013-14	0.31	0.31	0.938

(1) Per \$100 of assessed value.

Table 8

Town of Pearisburg, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004-05	2,742	\$ 131,355	\$ 2,635,608	2.01%	\$ 961
2005-06	2,752	163,008	2,541,722	1.56%	924
2006-07	2,764	171,314	2,386,235	1.39%	863
2007-08	2,766	173,608	2,178,197	1.25%	787
2008-09	2,766	174,324	2,302,558	1.32%	832
2009-10	2,761	209,471	2,041,137	0.97%	739
2010-11	2,786	209,554	1,889,648	0.90%	678
2011-12	2,761	210,379	4,074,935	1.94%	1,476
2012-13	2,721	214,081	5,386,131	2.52%	1,979
2013-14	2,727	215,334	5,514,280	2.56%	2,022

(1) Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt and bonded anticipation notes.
Excludes capital leases and compensated absences.

Table 9

Town of Pearisburg, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2004-05	\$ 63,383	\$ 43,079	\$ 106,462	\$ 2,342,974	4.54%
2005-06	64,884	41,577	106,461	2,269,292	4.69%
2006-07	68,551	19,797	88,348	2,955,120	2.99%
2007-08	71,925	34,536	106,461	2,900,723	3.67%
2008-09	58,818	33,940	92,758	3,125,995	2.97%
2009-10	86,743	40,312	127,055	2,812,039	4.52%
2010-11	90,431	36,624	127,055	2,301,375	5.52%
2011-12	94,398	32,657	127,055	2,272,332	5.59%
2012-13	98,396	66,192	164,588	2,272,332	7.24%
2013-14	136,480	140,882	277,362	2,737,901	10.13%

(1) Amounts exclusive of capital projects.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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*

To the Members of Council
Town of Pearisburg, Virginia
Pearisburg, Virginia

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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearisburg, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Pearisburg, Virginia's basic financial statements and have issued our report thereon dated January 8, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2014-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pearisburg, 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*.

The Town of Pearisburg, Virginia's Response to Findings

The Town of Pearisburg, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Pearisburg, Virginia'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 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, Turner, & Associates

Blacksburg, Virginia

January 8, 2015

TOWN OF PEARISBURG

Schedule of Findings and Responses For the Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2014-001

Criteria:	Per Statement on Auditing Standards No. 115, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.
Condition:	The auditee does not possess sufficient expertise in the selection and application of accounting principles to ensure the annual financial report meets all applicable standards promulgated by the Governmental Accounting Standards Board (GASB).
Effect:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal controls over financial reporting.
Cause:	The auditee is small and does not have staff with significant experience in preparing financial statements in accordance with current reporting standards. As such, the auditee relies on the auditor for technical advice related to same.
Recommendation:	The auditor recommends that the auditee review audit adjustments annually and replicate same in future periods to the extent possible. It is noted that the auditee has made great strides in posting year end adjustments and is gaining a good understanding of the year end audit process.
Managements' Response:	To comply with SAS No. 115, we would be required to hire staff and/or consultants with expertise in the preparation of financial statements using standards referred to above. The additional cost required exceeds any identified benefits. As such, management does not propose to take any action regarding SAS No. 115.