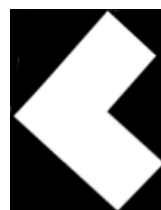


Town of Clarksville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2013



***Creedle, Jones
& Alga, P.C.***
Certified Public Accountants

Town of Clarksville, Virginia

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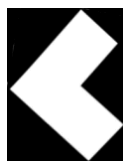
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FINANCIAL SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To Town Council
Town of Clarksville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Clarksville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clarksville, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–8 and 39–41 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.

Other Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, on our consideration of the Town of Clarksville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clarksville, Virginia's internal control over financial reporting and compliance.

Credle, Jones & Alga, P.C.

Credle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
June 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Clarksville, Virginia presents the following discussion and analysis as an overview of the Town of Clarksville, Virginia's financial activities for the fiscal year ending June 30, 2013. We encourage readers to read this discussion and analysis in conjunction with the Town's financial statements.

Financial Highlights for Fiscal Year 2013

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town, excluding its Component Unit, exceeded its liabilities by \$9,214,588.21. Of this amount, \$1,130,410.15 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$2,114,573.43 and expenses amounted to \$1,781,009.98 including transfers. The Town's total net position increased \$333,563.45. The Town's revenues for the enterprise activities were \$2,076,048.98 and the expenses were \$1,095,939.61. Net position increased by \$980,109.67.

Highlights for Fund Financial Statements

- As of June 30, 2013, the Town's Governmental Funds reported combined fund balances of \$650,452.01, a decrease of \$143,712.33 in comparison with the prior year. All of the combined fund balances, \$464,309.68, are available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$464,309.68, a decrease of \$133,501.25 from June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The **financial section** has three component parts - management's discussion and analysis (this section), the basic financial statements, which include government-wide financial statements and fund financial statements, and required supplementary information.
- The **compliance section** is required under the provisions of *Government Auditing Standards* and, in some cases, the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

The first government-wide statement - the Statement of Net Position - presents information on all of the Town's assets and liabilities. The difference between assets and liabilities, net position, can be used as one way to measure the Town's financial health, or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

The second statement - the Statement of Activities - presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide statements are divided into the following three categories:

Governmental Activities: Most of the Town's basic services are reported here, including general government administration; public safety; public works; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

Business-Type Activities: Town of Clarksville, Virginia has a Proprietary Enterprise Fund that accounts for the water and sewer system.

Discretely Presented Component Unit: The Town includes the Economic Development Authority of the Town of Clarksville, Virginia in its annual financial report. Although legally separate, this component unit is important because the Town is financially accountable for it.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the Town's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The Town has three kinds of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and, therefore, the largest of the Governmental Funds. All other Governmental Funds, which include Special Revenue Funds and Capital Projects Funds, are collectively referred to as nonmajor Governmental Funds.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The Town has a Water and Sewer Fund that generates revenue based on consumer charges.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the Town for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the Town's programs. The Town has no Fiduciary Funds at this time.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit EDA of the Town of Clarksville, VA</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets								
Current and other								
assets	\$ 866,034.89	\$ 948,998.67	\$ 676,710.88	\$ 572,966.57	\$ 1,542,745.77	\$ 1,521,965.24	\$ 51,229.50	\$ 103,396.91
Capital assets (net)	<u>4,168,353.12</u>	<u>3,640,156.88</u>	<u>9,369,424.67</u>	<u>8,239,091.38</u>	<u>13,537,777.79</u>	<u>11,879,248.26</u>	<u>1,767,833.73</u>	<u>1,756,263.90</u>
Total Assets	<u>\$ 5,034,388.01</u>	<u>\$ 4,589,155.55</u>	<u>\$ 10,046,135.55</u>	<u>\$ 8,812,057.95</u>	<u>\$ 15,080,523.56</u>	<u>\$ 13,401,213.50</u>	<u>\$ 1,819,063.23</u>	<u>\$ 1,859,660.81</u>
Liabilities								
Other liabilities	\$ 277,495.94	\$ 222,619.48	\$ 33,460.85	\$ 49,080.18	\$ 310,956.79	\$ 271,699.66	\$ 23,709.21	\$ 21,089.12
Long-term liabilities	<u>631,969.90</u>	<u>596,768.00</u>	<u>4,923,008.66</u>	<u>4,653,421.10</u>	<u>5,554,978.56</u>	<u>5,250,189.10</u>	<u>61,922.62</u>	<u>82,783.91</u>
Total Liabilities	<u>909,465.84</u>	<u>819,387.48</u>	<u>4,956,469.51</u>	<u>4,702,501.28</u>	<u>5,865,935.35</u>	<u>5,521,888.76</u>	<u>85,631.83</u>	<u>103,873.03</u>
Net Position								
Net investment								
in capital assets	3,451,619.72	2,975,603.83	4,446,416.01	3,585,670.29	7,898,035.73	6,561,274.12	1,685,701.90	1,654,087.44
Assigned	<u>186,142.33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,142.33</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>487,160.12</u>	<u>794,164.24</u>	<u>643,250.03</u>	<u>523,886.38</u>	<u>1,130,410.15</u>	<u>1,318,050.62</u>	<u>47,729.50</u>	<u>10,170.34</u>
Total Net Position	<u>4,124,922.17</u>	<u>3,769,768.07</u>	<u>5,089,666.04</u>	<u>4,109,556.67</u>	<u>9,214,588.21</u>	<u>7,879,324.74</u>	<u>1,733,431.40</u>	<u>1,755,787.78</u>
Total Liabilities								
and Net Position	<u>\$ 5,034,388.01</u>	<u>\$ 4,589,155.55</u>	<u>\$ 10,046,135.55</u>	<u>\$ 8,812,057.95</u>	<u>\$ 15,080,523.56</u>	<u>\$ 13,401,213.50</u>	<u>\$ 1,819,063.23</u>	<u>\$ 1,859,660.81</u>

GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the Town's reporting entity, assets exceeded liabilities by \$4,124,922.17 at June 30, 2013. The largest portion of the reporting entity's net position, \$3,451,619.72, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2013:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit EDA of the Town of Clarksville, VA</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues								
Program Revenues								
Charges for services	\$ 185,772.45	\$ 175,291.90	\$ 2,064,769.90	\$ 1,178,529.63	\$ 2,250,542.35	\$ 1,353,821.53	\$ -	\$ -
Operating grants and contributions	552,765.75	410,663.35	-	-	552,765.75	410,663.35	-	-
Capital grants and contributions	-	-	-	-	-	-	63,000.00	60,000.00
General Revenues								
General property taxes, real and personal	464,529.23	457,094.03	-	-	464,529.23	457,094.03	-	-
Other taxes	697,216.20	682,555.79	-	-	697,216.20	682,555.79	-	-
Noncategorical aid from state	61,219.67	56,750.48	-	-	61,219.67	56,750.48	-	-
Use of property	37,437.00	35,819.55	-	-	37,437.00	35,819.55	-	-
Investment earnings	1,085.74	391.80	11,279.08	239.58	12,364.82	631.38	-	-
Miscellaneous	114,547.39	110,629.38	-	-	114,547.39	110,629.38	-	-
Transfers	-	-	-	60,000.00	-	60,000.00	-	-
Total Revenues	2,114,573.43	1,929,196.28	2,076,048.98	1,238,769.21	4,190,622.41	3,167,965.49	63,000.00	60,000.00
Expenses								
General government administration	463,706.09	366,402.98	-	-	463,706.09	366,402.98	-	-
Public safety	640,959.60	642,671.08	-	-	640,959.60	642,671.08	-	-
Public works	523,176.39	445,468.09	-	-	523,176.39	445,468.09	-	-
Parks, recreation, and cultural	95,108.61	61,655.68	-	-	95,108.61	61,655.68	-	-
Community development	30,061.68	389,519.64	-	-	30,061.68	389,519.64	85,356.38	60,500.41
Water and sewer	-	-	940,772.42	928,991.96	940,772.42	928,991.96	-	-
Interest on long-term debt	27,997.61	27,340.33	155,167.19	231,464.08	183,164.80	258,804.41	-	-
Transfers	-	60,000.00	-	-	-	60,000.00	-	-
Total Expenses	1,781,009.98	1,993,057.80	1,095,939.61	1,160,456.04	2,876,949.59	3,153,513.84	85,356.38	60,500.41
Increase (Decrease) in Net Position	333,563.45	(63,861.52)	980,109.37	78,313.17	1,313,672.82	14,451.65	(22,356.38)	(500.41)
Prior Period Adjustment	21,590.65	-	-	-	21,590.65	-	-	-
Beginning Net Position	3,769,768.07	3,833,629.59	4,109,556.67	4,031,243.50	7,879,324.74	7,864,873.09	1,755,787.78	1,756,288.19
Ending Net Position	\$ 4,124,922.17	\$ 3,769,768.07	\$ 5,089,666.04	\$ 4,109,556.67	\$ 9,214,588.21	\$ 7,879,324.74	\$ 1,733,431.40	\$ 1,755,787.78

Governmental activities increased the Town's net position by \$333,563.45. Revenues from governmental activities totaled \$2,114,573.43. Other local taxes comprise the largest source of these revenues, totaling \$697,216.20 or 32.98 percent of all governmental activities revenue.

The total cost of all governmental activities including transfers for this fiscal year was \$1,781,009.98. Public Safety is the Town's largest program and highest priority with expenses totaling \$640,959.60. Public Works expenses, which total \$523,176.39, represent the second largest expense, followed by General Government Administration expenses which total \$463,706.09.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>		<u>2012</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 463,706.09	\$ (463,706.09)	\$ 366,402.98	\$ (366,402.98)
Public safety	640,959.60	(553,180.79)	642,671.08	(534,185.42)
Public works	523,176.39	(376,220.82)	445,468.09	(320,591.84)
Parks, recreation, and cultural	95,108.61	(90,108.61)	61,655.68	(56,655.68)
Community development	30,061.68	468,742.14	389,519.64	(41,926.30)
Interest on long-term debt	<u>27,997.61</u>	<u>(27,997.61)</u>	<u>27,340.33</u>	<u>(27,340.33)</u>
Total	<u>\$ 1,781,009.98</u>	<u>\$ (1,042,471.78)</u>	<u>\$ 1,933,057.80</u>	<u>\$ (1,347,102.55)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2013, the Town's Governmental Funds reported a combined ending fund balance of \$650,452.01 a decrease of \$143,712.23 in comparison with the prior year. Approximately 71.39 percent, or \$464,309.68, is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$464,309.68 and a reserved fund balance of \$-0-. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 19.56 percent of total fund expenditures.

The General Fund had expenditures totaling \$2,374,317.02.

The other Nonmajor Funds have a fund balance of \$186,142.33.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>			<u>2012</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 450,250.00	\$ 450,250.00	\$ 463,269.44	\$ 454,250.00	\$ 454,250.00	\$ 457,094.03
Other	661,100.00	661,100.00	697,216.20	638,800.00	638,800.00	682,555.79
Permits, privilege fees, and regulatory licenses	500.00	500.00	1,400.00	500.00	500.00	750.00
Fines and forfeitures	36,500.00	36,500.00	37,416.88	36,500.00	36,500.00	49,665.65
Revenue from use of money and property	30,800.00	30,800.00	38,510.89	30,800.00	30,800.00	36,191.22
Charges for services	153,430.00	153,430.00	146,955.57	122,360.00	122,360.00	124,876.25
Miscellaneous	16,000.00	85,995.00	110,334.39	18,000.00	18,000.00	108,565.46
Intergovernmental	<u>97,473.00</u>	<u>97,473.00</u>	<u>613,627.59</u>	<u>97,473.00</u>	<u>97,473.00</u>	<u>466,812.37</u>
Total Revenues	1,446,053.00	1,516,048.00	2,108,730.96	1,398,683.00	1,398,683.00	1,926,510.77
Expenditures	<u>1,369,641.00</u>	<u>1,508,186.00</u>	<u>2,374,317.02</u>	<u>1,289,828.00</u>	<u>1,289,828.00</u>	<u>1,986,201.44</u>
Excess (Deficiency) of Revenues over Expenditures	76,412.00	7,862.00	(265,586.06)	108,855.00	108,855.00	(59,690.67)
Other Financing Sources (Uses)						
Contingency	(36,412.00)	32,138.00	-	(48,855.00)	(48,855.00)	-
Proceeds from loans	-	-	132,084.81	-	-	181,860.00
Transfers out	<u>(40,000.00)</u>	<u>(40,000.00)</u>	<u>-</u>	<u>(60,000.00)</u>	<u>(60,000.00)</u>	<u>(60,000.00)</u>
Total Other Financing Sources (Uses)	<u>(76,412.00)</u>	<u>(7,862.00)</u>	<u>132,084.81</u>	<u>(108,855.00)</u>	<u>(108,855.00)</u>	<u>121,860.00</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (133,501.25)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,169.33</u>

Actual revenues exceeded final budget amounts by \$592,682.96, or 39.10 percent, while actual expenditures were \$866,131.02, or 57.43 percent more than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2013, include the following:

- Revenue received from the Commonwealth of Virginia was over budget by \$7,582.67, while revenue from the Federal Government was over budget by \$508,571.92. These differences account for \$516,154.59, or 87.09 percent of the total excess of revenues over budget.
- Public Safety and Public Works expenditures exceeded budget by \$194,419.34, while Community Development expenditures were over budget by \$528,865.50. These differences account for \$723,284.84 or 83.51 percent of the total deficit of expenditures over budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2013, the Town's net investment in capital assets totals \$7,848,035.73, which is net capital assets less related debt.

During fiscal year 2013, the Town's net capital assets (including additions, increases, and depreciation) increased \$1,658,529.53 or 13.97 percent, as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land and land improvements	\$ 1,089,608.55	\$ -	\$ 1,089,608.55
Buildings and improvements	3,749,921.87	611,538.26	4,361,460.13
Furniture, equipment, and vehicles	<u>1,804,259.53</u>	<u>148,584.81</u>	<u>1,952,844.34</u>
Total Capital Assets	6,643,789.95	760,123.07	7,403,913.02
Less: Accumulated depreciation and amortization	<u>(3,003,633.07)</u>	<u>(231,926.83)</u>	<u>(3,235,559.90)</u>
Total Capital Assets, Net	<u>\$ 3,640,156.88</u>	<u>\$ 528,196.24</u>	<u>\$ 4,168,353.12</u>

Business-Type Activities

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land and land improvements	\$ 3,169,506.24	\$ -	\$ 3,169,506.24
Buildings and systems	9,762,138.20	1,143,606.42	10,905,744.62
Furniture, equipment, and vehicles	<u>328,644.00</u>	<u>290,710.50</u>	<u>619,354.50</u>
Total Capital Assets	13,260,288.44	1,434,316.92	14,694,605.36
Less: Accumulated depreciation and amortization	<u>(5,021,197.06)</u>	<u>(303,983.63)</u>	<u>(5,325,180.69)</u>
Total Capital Assets, Net	<u>\$ 8,239,091.38</u>	<u>\$ 1,130,333.29</u>	<u>\$ 9,369,424.67</u>

Component Unit - EDA of the Town of Clarksville, VA

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land and land improvements	\$ 1,056,409.19	\$ 41,338.23	\$ 1,097,747.42
Buildings and systems	965,887.30	-	965,887.30
Furniture, equipment, and vehicles	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets	2,022,296.49	41,338.23	2,063,634.72
Less: Accumulated depreciation and amortization	<u>(266,032.59)</u>	<u>(29,768.40)</u>	<u>(295,800.99)</u>
Total Capital Assets, Net	<u>\$ 1,756,263.90</u>	<u>\$ 11,569.83</u>	<u>\$ 1,767,833.73</u>

Long-Term Debt

As of June 30, 2013, the Town's long-term obligations, excluding Component Unit - Economic Development Authority of the Town of Clarksville, Virginia, total \$5,689,742.08.

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Activities			
General Fund	\$ 664,553.05	\$ 52,180.35	\$ 716,733.40
Total Governmental Activities	664,553.05	52,180.35	716,733.40
Business-Type Activities			
Water and Sewer Fund	<u>4,653,421.10</u>	<u>269,587.56</u>	<u>4,923,008.66</u>
Total Business-Type Activities	<u>4,653,421.10</u>	<u>269,587.56</u>	<u>4,923,008.66</u>
Total Primary Government	<u>5,317,974.15</u>	<u>321,767.91</u>	<u>5,639,742.06</u>
Total Reporting Entity	<u>\$ 5,317,974.15</u>	<u>\$ 321,767.91</u>	<u>\$ 5,639,742.06</u>

More detailed information on the Town's long-term obligations is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for Mecklenburg County, where the Town of Clarksville, Virginia is located, in June 2013 was 10.5 percent. This compares unfavorably to the state's rate of 5.9 percent and the national rate of 7.8 percent.
- According to the 2010 U.S. Census, the population in the Town of Clarksville, Virginia was 1,139.
- The per capita income in Mecklenburg County, Virginia was \$21,750, compared to \$27,705 for the state, according to the 2010 U.S. Census data.

The fiscal year 2014 adopted budget anticipates General Fund revenues and expenditures to be \$1,519,617, a .24 percent increase over the fiscal year 2013 budget. Revenues are comprised primarily of all taxes at 78.15 percent with all other comprising 21.85 percent.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Tara Murphy, Treasurer/Clerk, Town of Clarksville, Virginia, P. O. Box 1147, Clarksville, Virginia 23927, telephone 434-374-8177, or visit the Town's website at www.clarksvilleva.org.

BASIC FINANCIAL STATEMENTS

Town of Clarksville, Virginia

Statement of Net Position

At June 30, 2013

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>EDA of the Town of Clarksville, VA</u>
Assets				
Cash and cash equivalents	\$ 654,371.34	\$ 512,743.96	\$ 1,167,115.30	\$ 50,432.80
Receivables - net	188,813.11	149,671.55	338,484.66	-
Property taxes receivable - net	22,850.44	-	22,850.44	-
Due from other funds	-	14,295.37	14,295.37	-
Loan fees, net of amortization	-	-	-	796.70
Capital Assets				
Land and land improvements	1,089,608.55	3,169,506.24	4,259,114.79	1,097,747.42
Other capital assets, net of accumulated depreciation	<u>3,078,744.57</u>	<u>6,199,918.43</u>	<u>9,278,663.00</u>	<u>670,086.31</u>
Capital Assets, Net	<u>4,168,353.12</u>	<u>9,369,424.67</u>	<u>13,537,777.79</u>	<u>1,767,833.73</u>
 Total Assets	 <u>\$ 5,034,388.01</u>	 <u>\$ 10,046,135.55</u>	 <u>\$15,080,523.56</u>	 <u>\$ 1,819,063.23</u>
Liabilities				
Accounts payable and accrued expenses	\$ 178,437.07	\$ 15,808.35	\$ 194,245.42	\$ 1,500.00
Customer deposits	-	17,652.50	17,652.50	-
Prepaid rents	-	-	-	2,000.00
Due to other funds	14,295.37	-	14,295.37	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	84,763.50	157,516.59	242,280.09	20,209.21
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	<u>631,969.90</u>	<u>4,765,492.07</u>	<u>5,397,461.97</u>	<u>61,922.62</u>
 Total Liabilities	 909,465.84	 4,956,469.51	 5,865,935.35	 85,631.83
Net Position				
Net investment in capital assets	3,451,619.72	4,446,416.01	7,898,035.73	1,685,701.90
Assigned	186,142.33	-	186,142.33	-
Unassigned	<u>487,160.12</u>	<u>643,250.03</u>	<u>1,130,410.15</u>	<u>47,729.50</u>
 Total Net Position	 <u>4,124,922.17</u>	 <u>5,089,666.04</u>	 <u>9,214,588.21</u>	 <u>1,733,431.40</u>
 Total Liabilities and Net Position	 <u>\$ 5,034,388.01</u>	 <u>\$ 10,046,135.55</u>	 <u>\$15,080,523.56</u>	 <u>\$ 1,819,063.23</u>

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

Town of Clarksville, Virginia
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit EDA of the Town of Clarksville, VA
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government administration	\$ 463,706.09	\$ -	\$ -	\$ -	\$ (463,706.09)	\$ -	\$ (463,706.09)	\$ -
Public safety	640,959.60	38,816.88	48,961.93	-	(553,180.79)	-	(553,180.79)	-
Public works	523,176.39	146,955.57	-	-	(376,220.82)	-	(376,220.82)	-
Parks, recreation, and cultural	95,108.61	-	5,000.00	-	(90,108.61)	-	(90,108.61)	-
Community development	30,061.68	-	498,803.82	-	468,742.14	-	468,742.14	-
Interest on long-term debt	27,997.61	-	-	-	(27,997.61)	-	(27,997.61)	-
Total Governmental Activities	1,781,009.98	185,772.45	552,765.75	-	(1,042,471.78)	-	(1,042,471.78)	-
Business-Type Activities								
Regional Water and Sewer Fund	1,095,939.61	2,064,769.90	-	-	-	968,830.29	968,830.29	-
Total Business-Type Activities	1,095,939.61	2,064,769.90	-	-	-	968,830.29	968,830.29	-
Total Primary Government	\$ 2,876,949.59	\$ 2,250,542.35	\$ 552,765.75	\$ -	(1,042,471.78)	968,830.29	(73,641.49)	-
Component Unit								
EDA of the Town of Clarksville, VA	\$ 85,356.38	\$ -	\$ -	\$ -				(85,356.38)
General Revenues								
Taxes								
General property taxes, real and personal					464,529.23	-	464,529.23	-
Other local taxes					697,216.20	-	697,216.20	-
Noncategorical aid from state					61,219.67	-	61,219.67	-
Use of property					37,437.00	-	37,437.00	-
Investment earnings					1,085.74	11,279.08	12,364.82	-
Miscellaneous					114,547.39	-	114,547.39	63,000.00
Transfers					-	-	-	-
Total General Revenues					1,376,035.23	11,279.08	1,387,314.31	63,000.00
Change in Net Position					333,563.45	980,109.37	1,313,672.82	(22,356.38)
Prior Period Adjustment					21,590.65	-	21,590.65	-
Net Position - Beginning of Year					3,769,768.07	4,109,556.67	7,879,324.74	1,755,787.78
Net Position - End of Year					\$ 4,124,922.17	\$ 5,089,666.04	\$ 9,214,588.21	\$ 1,733,431.40

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

Town of Clarksville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 468,229.01	\$ 186,142.33	\$ 654,371.34
Property taxes receivable, net	22,850.44	-	22,850.44
Accounts receivable	53,042.45	-	53,042.45
Due from CDBG	<u>135,770.66</u>	<u>-</u>	<u>135,770.66</u>
Total Assets	<u>\$ 679,892.56</u>	<u>\$ 186,142.33</u>	<u>\$ 866,034.89</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 178,437.07	\$ -	\$ 178,437.07
Due to other funds	14,295.37	-	14,295.37
Deferred revenue	<u>22,850.44</u>	<u>-</u>	<u>22,850.44</u>
Total Liabilities	215,582.88	-	215,582.88
Fund Balance			
Assigned	-	186,142.33	186,142.33
Unassigned	<u>464,309.68</u>	<u>-</u>	<u>464,309.68</u>
Total Fund Balance	<u>464,309.68</u>	<u>186,142.33</u>	<u>650,452.01</u>
Total Liabilities and Fund Balance	<u>\$ 679,892.56</u>	<u>\$ 186,142.33</u>	<u>\$ 866,034.89</u>

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

Town of Clarksville, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2013

Total Fund Balances for Governmental Funds		\$ 650,452.01
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$1,089,608.55	
Buildings and improvements, net of accumulated depreciation	2,702,190.27	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>376,554.30</u>	
Total Capital Assets		4,168,353.12
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred revenue		22,850.44
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds and notes payable	<u>(716,733.40)</u>	
Total		<u>(716,733.40)</u>
Total Net Position of Governmental Activities		<u><u>\$4,124,922.17</u></u>

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

Town of Clarksville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 463,269.44	\$ -	\$ 463,269.44
Other local taxes	697,216.20	-	697,216.20
Permits, privilege fees, and regulatory licenses	1,400.00	-	1,400.00
Fines and forfeitures	37,416.88	-	37,416.88
Use of money and property	38,510.89	11.85	38,522.74
Charges for services	146,955.57	-	146,955.57
Miscellaneous	110,334.39	4,213.00	114,547.39
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	105,055.67	357.83	105,413.50
Revenue from the Federal Government	<u>508,571.92</u>	<u>-</u>	<u>508,571.92</u>
Total Revenues	2,108,730.96	4,582.68	2,113,313.64
Expenditures			
Current			
General government administration	405,817.69	-	405,817.69
Public safety	622,876.46	13,496.47	636,372.93
Public works	623,106.88	-	623,106.88
Parks, recreation, and cultural	85,748.42	1,297.19	87,045.61
Community development	528,865.50	-	528,865.50
Debt service	<u>107,902.07</u>	<u>-</u>	<u>107,902.07</u>
Total Expenditures	<u>2,374,317.02</u>	<u>14,793.66</u>	<u>2,389,110.68</u>
Excess (Deficiency) of Revenues Over Expenditures	(265,586.06)	(10,210.98)	(275,797.04)
Other Financing Sources (Uses)			
Proceeds from loans	132,084.81	-	132,084.81
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>132,084.81</u>	<u>-</u>	<u>132,084.81</u>
Net Change in Fund Balance	(133,501.25)	(10,210.98)	(143,712.23)
Fund Balance - Beginning of Year	<u>597,810.93</u>	<u>196,353.31</u>	<u>794,164.24</u>
Fund Balance - End of Year	<u>\$ 464,309.68</u>	<u>\$ 186,142.33</u>	<u>\$ 650,452.01</u>

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

Town of Clarksville, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (143,712.23)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	528,196.24
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.	1,259.79
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.	
Repayments on debt	\$ (52,180.35)
Net Adjustment	<u>(52,180.35)</u>
Change in Net Position of Governmental Activities	<u>\$ 333,563.45</u>

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

Town of Clarksville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2013

**Business-Type
Activities -
Enterprise Funds
Water and Sewer
Fund**

Assets

Current Assets

Cash and cash equivalents	\$ 512,743.96
Receivables, net	149,671.55
Due from other funds	<u>14,295.37</u>
Total Current Assets	676,710.88

Noncurrent Assets

Capital assets, net	<u>9,369,424.67</u>
Total Noncurrent Assets	<u>9,369,424.67</u>

Total Assets	<u><u>\$ 10,046,135.55</u></u>
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Liabilities

Current Liabilities

Accounts payable and accrued expenses	\$ 15,808.35
Short-term portion of debt	<u>157,516.59</u>
Total Current Liabilities	173,324.94

Noncurrent Liabilities

Long-term portion of debt	4,765,492.07
Customer deposits	<u>17,652.50</u>
Total Noncurrent Liabilities	<u>4,783,144.57</u>

Total Liabilities	4,956,469.51
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Net Position

Net investment in capital assets	4,446,416.01
Unrestricted	<u>643,250.03</u>
Total Net Position	<u>5,089,666.04</u>

Total Liabilities and Net Position	<u><u>\$ 10,046,135.55</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Town of Clarksville, Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2013

**Business-Type
Activities -
Enterprise Funds
Water and Sewer
Fund**

Operating Revenues

Charges for services, net	\$ 1,067,067.07
Penalties	19,676.15
VDH Planning Grant	686,164.15
Community Development Block Grant	290,710.50
Miscellaneous	<u>1,152.03</u>

Total Operating Revenues	2,064,769.90
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Operating Expenses

Administration	100,279.56
Line maintenance	123,160.71
Water treatment	121,200.28
Waste water treatment	240,402.67
Lift stations	51,745.57
Depreciation	<u>303,983.63</u>

Total Operating Expenses	<u>940,772.42</u>
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Operating Income	1,123,997.48
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Nonoperating Revenues (Expenses)

Interest income	11,279.08
Interest expense	<u>(155,167.19)</u>

Total Nonoperating Revenues (Expenses)	(143,888.11)
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Other Financing Sources (Uses)

Transfers in	<u>-</u>
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Total Other Financing Sources (Uses)	<u>-</u>
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Change in Net Position	980,109.37
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Total Net Position - Beginning of Year	<u>4,109,556.67</u>
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Total Net Position - End of Year	<u><u>\$ 5,089,666.04</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Town of Clarksville, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2013

**Business-Type
Activities -
Enterprise Funds
Water and Sewer
Fund**

Cash Flows from Operating Activities

Receipts from customers	\$ 1,069,521.68
Other receipts	978,026.68
Payments to personnel and suppliers	<u>(635,968.29)</u>
Net Cash Provided by Operating Activities	1,411,580.07

Cash Flows from Noncapital Financing Activities

Funds from (paid to) other funds	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	-

Cash Flows from Capital and Related Financing Activities

Purchases and construction of capital assets	(1,444,970.83)
Principal paid on capital debt	(187,855.21)
Proceeds from loans	457,442.77
Interest paid on capital debt	<u>(155,167.19)</u>
Net Cash Used in Capital and Related Financing Activities	(1,330,550.46)

Cash Flows from Investing Activities

Interest income	<u>11,279.08</u>
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Net Increase in Cash and Cash Equivalents	92,308.69
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Cash and Cash Equivalents - Beginning of Year	<u>420,435.27</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 512,743.96</u></u>
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**Reconciliation of Operating Income (Loss) to Net
Cash Provided by (Used in) Operating Activities**

Operating income	\$ 1,123,997.48
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	303,983.63
Changes in assets and liabilities	
Increase (decrease) in receivables, net	(17,221.54)
Increase (decrease) in accounts payable and accrued expenses	<u>820.50</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,411,580.07</u></u>

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

Town of Clarksville, Virginia

Notes to Financial Statements

Year Ended June 30, 2013

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Clarksville, Virginia (the "Town"), which was founded in 1898, has a population of approximately 1,387 living within an area of 2.4 square miles. The Town is located in the south central region of Virginia. The Town is governed by an elected mayor and an elected Town Council, with each serving administrative and legislative functions.

The Town is governed under the Town Manager form of government. The Town of Clarksville, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, and cultural, and community development.

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

A. The Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- Government-Wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government. The discretely presented component unit has a June 30 fiscal year end.

Inclusions in the Reporting Entity

Component Unit

Economic Development Authority of the Town of Clarksville, Virginia

The Authority is a separate and distinct entity from the Town of Clarksville, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia.

A seven-member board appointed by the Town Council of the Town of Clarksville, Virginia governs the Authority. The directors are to serve staggered terms of four years each.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprise for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

The Authority is a component unit of the financial reporting entity of the Town of Clarksville, Virginia.

B. Government-Wide and Fund Financial Statements

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

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

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The Town's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the Town in fiscal year 2013:

1. *Governmental Funds*

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

- a. General Fund – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds: Police Asset Forfeiture, Veteran's Memorial, and the Cemetery Funds.
- c. Debt Service Funds – The Town does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Component Unit EDA of the Town of Clarksville, Virginia Fund.
- d. Capital Projects Funds – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. There are no Capital Projects Funds at this time.

2. *Proprietary Funds*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

- a. Enterprise Funds – Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Funds consist of the following:

The Water Fund accounts for activities associated with providing water services to customers in the Town.

The Sewer Fund accounts for activities associated with providing sewer services to customers in the Town.

- b. Internal Service Funds – Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town government, on a cost-reimbursement basis. Internal Service Funds are not used by the Town at this time.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. There are no Fiduciary Funds at this time.

4. *Component Unit*

Economic Development Authority of the Town of Clarksville, Virginia

The Economic Development Authority of the Town of Clarksville, Virginia has only one fund which is its operating fund. It accounts for all activities of the Authority.

C. **Basis of Accounting**

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

The government-wide Statements of Net Position and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The fund financial statements of the General, Special Revenue, Capital Projects, and Fiduciary Funds (for the primary government and Component Unit EDA of the Town of Clarksville, Virginia) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The Town annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions between the Town Council and Town Manager are conducted on the budget.
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 fund, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the Town Council. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The Town legally adopted budgets for the following funds:

General Fund, Water and Sewer Fund, Special Revenue
Funds, and Capital Projects Fund

The Town may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all Town and Authority funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2013, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and the Authority. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. The Town Council must approve all appropriations and transfers of appropriated amounts.

E. Investments

Investments are reported at fair value.

F. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There was no allowance account at June 30, 2013.

G. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of \$5,000.00 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Plant, equipment, and system	35 to 50 years
Motor vehicles	5 to 10 years
Equipment	2 to 15 years

All fixed assets are valued at historical cost or estimated historical cost, if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The Town does not capitalize historical treasures or works of art.

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

H. Use of Estimates

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

I. Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

2 Cash and Investments

Cash and Cash Equivalents

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

The Town maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. The majority of funds in the Town's accounts are invested at all times.

Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

Investments

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).

The Town of Clarksville, Virginia only invests in certificates of deposit at local banks. Therefore, there is no custodial risk, credit risk of debt securities, concentration of credit risk, or foreign currency risk. The only risk of interest rates is that associated with short-term rates at the local banks which are generally invested in certificates of deposit held less than one year.

The Town's investment account with SunTrust is comprised mostly of U. S. Government Securities. Debt obligations explicitly sponsored by the U. S. Government are not considered to have a credit risk.

The Town had investments at June 30, 2013 with more than 7.88 percent of the total securities held in government agencies. These investments represent 100 percent of total investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10 Years +</u>
U. S. Agencies	\$ 95,846.70	\$ 95,846.70	\$ -	\$ -	\$ -
Total Investments	<u>\$ 95,846.70</u>	<u>\$ 95,846.70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following is a summary of cash and investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Bank	\$ 95,846.70	<u>\$ 95,846.70</u>
Total Deposits	<u>1,121,526.40</u>	
Total Deposits and Investments - Primary Government	1,217,373.10	
Cash on Hand	<u>175.00</u>	
All Cash and Investments	<u>\$ 1,217,548.10</u>	

Cash and Investments per Government-Wide Financial Statements

Primary Government

Governmental activities	\$ 654,371.34
Enterprise activities	512,743.96
Component Unit - EDA of the Town of Clarksville, VA	<u>50,432.80</u>
Total Government-Wide Financial Statements	<u>\$ 1,217,548.10</u>

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ 654,371.34	\$ 512,743.96	\$ 1,167,115.30
Total	654,371.34	512,743.96	1,167,115.30
Component Unit			
EDA of the Town of Clarksville, VA			
Cash and cash equivalents	50,432.80	-	50,432.80
Grand Total	<u>\$ 704,804.14</u>	<u>\$ 512,743.96</u>	<u>\$ 1,217,548.10</u>

Cash on Hand. The Town also had cash on hand of \$175.00 which is included in the above amounts.

3 Property Taxes

Real property taxes are assessed on property values as of July 1 and attached as an enforceable lien on property as of the date levied by the Town Council. Personal property taxes are assessed for the period the property is located in the Town and also attached as an enforceable lien on the property.

Real estate and personal property taxes are due February 1 within the year of assessment.

A 10 percent penalty is levied on all taxes not collected on or before their due date. An interest charge of 10 percent per annum is also levied on such taxes beginning on February 2.

Property taxes for fiscal year 2013 were levied by the Town Council in October 2013 on the assessed value listed as of July 2013.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the Town has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as deferred revenues.

4 Receivables

Receivables at June 30, 2013 consist of the following:

	<u>Primary Government</u>			
	<u>Governmental Activities</u>			
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>	<u>Business-Type Activities</u>
Property taxes	\$ 22,850.44	\$ -	\$ 22,850.44	\$ -
Water and sewer	-	-	-	149,671.55
Garbage receivables	21,791.70	-	21,791.70	-
Other misc. receivables	31,250.75	-	31,250.75	-
Due from CDBG	<u>135,770.66</u>	<u>-</u>	<u>135,770.66</u>	<u>-</u>
Total Receivables	<u>\$ 211,663.55</u>	<u>\$ -</u>	<u>\$ 211,663.55</u>	<u>\$ 149,671.55</u>

5 Interfund Balances and Activity

Balance due from/to other funds at June 30, 2013:

Primary Government

<u>Due from/Due to Other Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
To Water Fund	\$ -	\$ 14,295.37
Water Fund		
From General Fund	<u>14,295.37</u>	<u>-</u>
Total Transfers	<u>\$ 14,295.37</u>	<u>\$ 14,295.37</u>

6 Capital Assets

Following is a summary of changes in capital assets for governmental activities:

Primary Government

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,089,608.55	\$ -	\$ -	<u>\$ 1,089,608.55</u>
Total Capital Assets Not Being Depreciated	1,089,608.55	-	-	<u>1,089,608.55</u>
Other Capital Assets				
Buildings and improvements	3,749,921.87	611,538.26	-	<u>4,361,460.13</u>
Furniture, equipment, and vehicles	<u>1,804,259.53</u>	<u>148,584.81</u>	-	<u>1,952,844.34</u>
Total Other Capital Assets	5,554,181.40	760,123.07	-	<u>6,314,304.47</u>
Less: Accumulated depreciation for				
Buildings and improvements	1,565,199.88	94,069.98	-	<u>1,659,269.86</u>
Furniture, equipment, and vehicles	<u>1,438,433.19</u>	<u>137,856.85</u>	-	<u>1,576,290.04</u>
Total Accumulated Depreciation	<u>3,003,633.07</u>	<u>231,926.83</u>	-	<u>3,235,559.90</u>
Other Capital Assets, Net	<u>2,550,548.33</u>	<u>528,196.24</u>	-	<u>3,078,744.57</u>
Net Capital Assets	<u>\$ 3,640,156.88</u>	<u>\$ 528,196.24</u>	<u>\$ -</u>	<u>\$ 4,168,353.12</u>

Depreciation expense was allocated as follows:

General government administration	\$ 57,888.40
Public safety	103,589.69
Public works	35,157.85
Parks, recreation, and cultural	1,158.80
Community development	<u>34,132.09</u>
Total Depreciation Expense	<u>\$ 231,926.83</u>

Following is a summary of changes in capital assets for business-type activities:

Business-Type Activities

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 58,473.00	\$ -	\$ -	\$ 58,473.00
Construction in progress	<u>3,111,033.24</u>	<u>-</u>	<u>-</u>	<u>3,111,033.24</u>
Total Capital Assets Not Being Depreciated	3,169,506.24	-	-	3,169,506.24
Other Capital Assets				
Buildings and systems	9,762,138.20	1,143,606.42	-	10,905,744.62
Furniture, equipment, and vehicles	<u>328,644.00</u>	<u>290,710.50</u>	<u>-</u>	<u>619,354.50</u>
Total Other Capital Assets	10,090,782.20	1,434,316.92	-	11,525,099.12
Less: Accumulated depreciation for				
Buildings and systems	4,738,447.13	294,536.40	-	5,032,983.53
Furniture, equipment, and vehicles	<u>282,749.93</u>	<u>9,447.23</u>	<u>-</u>	<u>292,197.16</u>
Total Accumulated Depreciation	<u>5,021,197.06</u>	<u>303,983.63</u>	<u>-</u>	<u>5,325,180.69</u>
Other Capital Assets, Net	<u>5,069,585.14</u>	<u>1,130,333.29</u>	<u>-</u>	<u>6,199,918.43</u>
Net Capital Assets	<u>\$ 8,239,091.38</u>	<u>\$ 1,130,333.29</u>	<u>\$ -</u>	<u>\$ 9,369,424.67</u>
Depreciation expense was allocated to water and sewer		<u>\$ 303,983.63</u>		

Following is a summary of changes in capital assets for the component unit EDA of the Town of Clarksville, Virginia:

Component Unit - EDA of the Town of Clarksville, VA

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land and land improvements	<u>\$ 1,056,409.19</u>	<u>\$ 41,338.23</u>	<u>\$ -</u>	<u>\$ 1,097,747.42</u>
Total Capital Assets Not Being Depreciated	1,056,409.19	41,338.23	-	1,097,747.42
Other Capital Assets				
Buildings and systems	<u>965,887.30</u>	<u>-</u>	<u>-</u>	<u>965,887.30</u>
Total Other Capital Assets	965,887.30	-	-	965,887.30
Less: Accumulated depreciation for				
Buildings and systems	<u>266,032.59</u>	<u>29,768.40</u>	<u>-</u>	<u>295,800.99</u>
Total Accumulated Depreciation	<u>266,032.59</u>	<u>29,768.40</u>	<u>-</u>	<u>295,800.99</u>
Other Capital Assets, Net	<u>699,854.71</u>	<u>(29,768.40)</u>	<u>-</u>	<u>670,086.31</u>
Net Capital Assets	<u>\$ 1,756,263.90</u>	<u>\$ 11,569.83</u>	<u>\$ -</u>	<u>\$ 1,767,833.73</u>

7 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30.</u>	<u>Governmental Activities General Bonds Payable</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 84,763.50	\$ 24,933.23	\$ 157,516.59	\$ 200,837.49
2015	63,190.29	22,167.15	165,999.08	194,165.23
2016	59,791.45	19,912.04	164,882.42	187,533.32
2017	60,105.61	18,787.86	169,341.15	180,872.75
2018	34,085.74	15,594.26	166,268.71	173,659.96
2019-2023	170,360.70	56,234.44	959,490.45	739,845.26
2024-2028	114,549.00	26,451.00	894,899.03	524,920.28
2029-2033	129,887.11	2,413.00	1,026,377.49	335,578.34
2034-2038	-	-	627,846.35	179,593.95
2039-2043	-	-	590,387.39	63,439.74
Total	<u>\$ 716,733.40</u>	<u>\$ 186,492.98</u>	<u>\$ 4,923,008.66</u>	<u>\$2,780,446.32</u>

Changes in Long-Term Debt

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

	<u>Balance July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General Fund					
\$500,000.00 Capital Improvement Bond, issued April 21, 1998, with Rural Development payable monthly in payments of \$2,350.00 in principal plus interest at 7.50 percent until the year 2026.	\$ 414,799.51	\$ -	\$ 8,683.40	\$ 406,116.11	\$ 12,942.00
\$62,317.00 Commercial Loan, dated April 25, 2003, with Benchmark Community Bank payable in monthly installments of \$574.64 including interest at 5.00 percent with a three-year balloon. This loan is a refinancing of a previous \$72,000.00 loan with Benchmark Community Bank.	18,602.67	-	6,834.23	11,768.44	11,768.44
\$99,800.00 Commercial Loan, dated February 23, 2004, with Community National Bank payable in annual installments of \$11,869.55 including interest at 3.71 percent. This is for the street lighting project.	22,480.54	-	11,035.52	11,445.02	11,445.02
\$16,500.00 Note payable with Carter Bank & Trust dated August 13, 2008 with 60 monthly installments of \$303.87 which includes interest at the rate of 4.00 percent. The loan is for a 2008 Chevy Silverado.	4,149.83	-	3,544.97	604.86	604.86

	<u>Balance July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
\$33,750.00 Note payable with Rural Development payable in 60 monthly installments of \$622.00 with interest at the rate of 4.00 percent. The loan is for the purchase of three 2010 Dodge Chargers.	22,660.50	-	6,678.91	15,981.59	6,950.19
\$181,860.00 Note payable with Rural Development dated June 26, 2012. Payable in 120 monthly payments of \$1,790.00 which includes interest at the rate of 3.375 percent, for the refinance of a KME Custom Pumper Apparatus.	181,860.00	-	15,579.22	166,280.78	16,115.87
\$132,084.81 Lease payable with TCF Equipment dated July 05, 2012. Payable in 5 annual payments of \$28,213.44 which includes interest at the rate of 3.090 percent, for the purchase of 2013 International 7400 Garbage Truck.	-	132,084.81	27,548.21	104,536.60	24,937.12
Total Governmental Activities	664,553.05	132,084.81	79,904.46	716,733.40	84,763.50

Business-Type Activities

Water and Sewer Fund

\$150,000.00 Virginia Revolving Loan Fund, Water and Sewer Bonds issued June 24, 1992, interest at 3.00 percent, payable semiannually in installments of \$5,108.19 until December 2012.	5,032.69	-	5,032.69	-	-
\$50,000.00 Community National Bank General Obligation Note dated November 3, 2006 with annual payments beginning November 3, 2007. Interest is fixed at 4.27 percent calculated on the basis of a 360-day year. Maturity date of November 3, 2016.	27,603.90	-	5,069.00	22,534.90	5,285.44
\$220,000.00 Virginia Revolving Loan Fund, Water and Sewer Bonds Series 2001 issued October 19, 2001, interest at 4.50 percent, payable semiannually in installments of \$8,532.80 until August 1, 2021.	130,747.13	-	11,307.76	119,439.37	11,822.36
\$2,491,100.00 General Obligation Water and Sewer Bond, Series 2004 with Rural Development with monthly payments of \$11,235.00 beginning on July 28, 2006. The interest rate is 4.375 percent with two interest only payments on June 28, 2005 and June 28, 2006.	2,314,169.49	-	34,251.92	2,279,917.57	42,020.33
\$49,355.00 Note payable with Carter Bank & Trust dated December 01, 2008. Payable in 84 monthly installments of \$674.62 which includes interest at the rate of 4.00 percent. The loan is for a sewer camera.	25,812.71	-	7,193.84	18,618.87	7,161.77

Infrastructure Revenue Bonds Series 2004A issued June 30, 2004 with interest varying between 2.857 and 5.040 percent. Interest is payable semi-annually and principal is paid annually until October 1, 2032.

This series was refunded in July 2012 with interest varying between 2.250% and 5.125% and the principal is paid annually until October 1, 2032.

2,090,000.00	-	125,000.00	1,965,000.00	80,000.00
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\$517,497.95 Virginia Revolving Loan Fund, WSL-20-11 Water System Improvement Loan payable semi-annually June 1 and December 1 of each year to include interest at the rate of 3.00 percent starting June 1, 2013 and ending December 1, 2042.

60,055.18	457,442.77	-	517,497.95	11,226.69
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Total Business-Type Activities	4,653,421.10	457,442.77	187,855.21	4,923,008.66	157,516.59
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Total Primary Government	<u>\$5,317,974.15</u>	<u>\$589,527.58</u>	<u>\$267,759.67</u>	<u>\$5,639,742.06</u>	<u>\$242,280.09</u>
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8 Claims, Judgments, and Compensated Absences

NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, requires the Town to accrue the liability arising from outstanding claims, judgments, and compensated absences. No accrual has been recorded and management does not believe it is material to the financial statements.

9 Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet recognizable. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Primary Government

Property taxes	\$ 22,850.44
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Total Primary Government	<u>\$ 22,850.44</u>
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10 Contingent Liabilities (Including Federally Assisted Programs - Compliance Audits)

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

At June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

11 Defined Benefit Pension Plan

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (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.

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

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

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail

superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

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/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 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 2013 was 7.90% of annual covered payroll.

C. *Annual Pension Cost*

For fiscal year 2013, the Town's annual pension cost of \$52,303.73 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 34,053.91	100.0%	\$ -
June 30, 2012	42,470.46	100.0%	-
June 30, 2013	52,303.73	100.0%	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of **7.00%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees, **3.75% to 6.20%** per year for teachers, and **3.50% to 4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year for 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, 2012, the most recent actuarial valuation date, the plan was 78.93% funded. The actuarial accrued liability for benefits was \$2,713,911.00 and the actuarial value of assets was \$2,142,097.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$571,814.00. The covered payroll (annual payroll of active employees covered by the plan) was \$643,150.00, and ratio of the UAAL to the covered payroll was 88.91%.

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

REQUIRED SUPPLEMENTARY INFORMATION						
Schedule of Funding Progress for Town						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2010	\$2,137,423.00	\$2,640,328.00	\$ 502,905.00	80.95%	\$685,198.00	73.40%
June 30, 2011	2,140,897.00	2,672,286.00	531,389.00	80.11%	661,863.00	80.29%
June 30, 2012	2,142,097.00	2,713,911.00	571,814.00	78.93%	643,150.00	88.91%

Notes to Required Supplementary Information

This information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Payroll Growth Rate	3.00%
Remaining Amortization Period	29 years
Asset Valuation Method	Five-Year Smoothed Modified Market
Actuarial Assumptions	
Investment rate of return ¹	7.00%
Projected salary increases ¹	
NonLaw Enforcement Officer Employees	3.75% to 5.60%
Law Enforcement Officer Employees	3.50% to 4.75%
Cost-of-living adjustments	2.25 to 2.50%

¹Includes inflation of 2.50%

12 Legal Compliance

- A. Expenditures in Excess of Appropriations
The General Fund expenditures were over appropriations by \$866,131.02.
- B. Fund Deficits
No funds had fund deficits.

13 Surety Bond Information

United States Fidelity and Guaranty Company

Mayor	\$ 100,000.00
Treasurer	100,000.00
Town Manager	100,000.00
Assistant Town Manager	100,000.00

14 Assigned Fund Balance

Fund balances have been assigned for the following purposes:

<u>Fund</u>	<u>Designation</u>	<u>Amount</u>
Police Asset Forfeiture	Subsequent years' appropriations	\$ 4,958.02
Veteran's Memorial	Subsequent years' appropriations	9,107.54
Cemetery Fund	Subsequent years' appropriations	<u>172,076.77</u>
Total Primary Government		<u>\$ 186,142.33</u>

15 Prior Period Adjustment

Due to the implementation of GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," only specific deferred items belong in the Statement of Net Position. Therefore, deferred revenue for taxes is a reconciliation item between the government-wide statements and the fund statements from this point forward. The beginning balance for deferred taxes of \$21,590.65 needed to be an adjustment to unrestricted net position.

16 Subsequent Events

We have searched for events occurring subsequent to the date of the financial statements that may impact the financial data herein presented. When such events occur, we report the event and estimate, to the best of our ability, the potential measurable impact to the financial data reported. We are not aware of any material events occurring during the period of time that is subsequent to the date of the financial statements up to and including the date of the Independent Auditor's Report.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Clarksville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2013

General Fund				Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
General Property Taxes				
Real property taxes	\$ 345,000.00	\$ 345,000.00	\$ 349,453.69	\$ 4,453.69
Mobile home taxes	250.00	250.00	295.63	45.63
Personal property taxes	90,000.00	90,000.00	84,380.75	(5,619.25)
Public service corporation property taxes	12,500.00	12,500.00	13,517.09	1,017.09
Delinquent taxes	1,000.00	1,000.00	9,479.47	8,479.47
Interest on taxes	500.00	500.00	2,088.02	1,588.02
Penalties on taxes	1,000.00	1,000.00	4,054.79	3,054.79
Total General Property Taxes	450,250.00	450,250.00	463,269.44	13,019.44
Other Local Taxes				
Local sales and use taxes	60,000.00	60,000.00	75,454.19	15,454.19
Communication sales and use tax	34,000.00	34,000.00	36,394.28	2,394.28
Consumer utility tax	62,000.00	62,000.00	60,236.16	(1,763.84)
Business license taxes	83,100.00	83,100.00	93,609.18	10,509.18
Franchise taxes	3,000.00	3,000.00	3,056.76	56.76
Motor vehicle licenses	13,000.00	13,000.00	13,535.20	535.20
Bank franchise tax	69,000.00	69,000.00	53,689.00	(15,311.00)
Meals tax	260,000.00	260,000.00	290,043.76	30,043.76
Lodging tax	77,000.00	77,000.00	71,197.67	(5,802.33)
Total Other Local Taxes	661,100.00	661,100.00	697,216.20	36,116.20
Permits, Privilege Fees, and Regulatory Licenses				
Other permits, licenses, and fees	500.00	500.00	1,400.00	900.00
Total Permits, Privilege Fees, and Regulatory Licenses	500.00	500.00	1,400.00	900.00
Fines and Forfeitures				
	36,500.00	36,500.00	37,416.88	916.88
Revenue from Use of Money and Property				
Revenue from use of money	500.00	500.00	1,085.74	585.74
Revenue from use of property	30,300.00	30,300.00	37,425.15	7,125.15
Total Revenue from Use of Money and Property	30,800.00	30,800.00	38,510.89	7,710.89
Charges for Services				
Sanitation and waste removal	153,230.00	153,230.00	146,760.57	(6,469.43)
Miscellaneous charges for services	200.00	200.00	195.00	(5.00)
Total Charges for Services	153,430.00	153,430.00	146,955.57	(6,474.43)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Miscellaneous				
Miscellaneous	1,000.00	70,995.00	102,498.01	31,503.01
Community Center - Bingo	<u>15,000.00</u>	<u>15,000.00</u>	<u>7,836.38</u>	<u>(7,163.62)</u>
Total Miscellaneous	16,000.00	85,995.00	110,334.39	24,339.39
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	<u>1,000.00</u>	<u>1,000.00</u>	<u>1,150.88</u>	<u>150.88</u>
Total Noncategorical Aid	1,000.00	1,000.00	1,150.88	150.88
<i>Categorical Aid</i>				
Virginia Commission for the Arts	5,000.00	5,000.00	5,000.00	-
Litter Control Grant	500.00	500.00	1,203.00	703.00
PPTRA Funds	54,356.00	54,356.00	54,356.36	0.36
Tea-21 Grant	-	-	4,509.43	4,509.43
Law Enforcement Assistance	28,617.00	28,617.00	30,836.00	2,219.00
Fire Department Grant	<u>8,000.00</u>	<u>8,000.00</u>	<u>8,000.00</u>	<u>-</u>
Total Categorical Aid	<u>96,473.00</u>	<u>96,473.00</u>	<u>103,904.79</u>	<u>7,431.79</u>
Total Revenue from the Commonwealth of Virginia	97,473.00	97,473.00	105,055.67	7,582.67
Revenue from the Federal Government				
DMV Selective Enforcement	-	-	9,768.10	9,768.10
Community Development Block Grant	<u>-</u>	<u>-</u>	<u>498,803.82</u>	<u>498,803.82</u>
Total Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>508,571.92</u>	<u>508,571.92</u>
Total Intergovernmental Revenue	<u>97,473.00</u>	<u>97,473.00</u>	<u>613,627.59</u>	<u>516,154.59</u>
Total Revenues	1,446,053.00	1,516,048.00	2,108,730.96	592,682.96
Expenditures				
Current				
<i>General Government Administration</i>				
Mayor and Council fees	4,780.00	4,780.00	4,661.14	118.86
Administrative	175,628.00	175,628.00	343,642.31	(168,014.31)
Treasurer	<u>60,696.00</u>	<u>60,696.00</u>	<u>57,514.24</u>	<u>3,181.76</u>
Total General Government Administration	241,104.00	241,104.00	405,817.69	(164,713.69)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Police Department	485,435.00	570,867.00	597,474.30	(26,607.30)
Fire and rescue services	<u>24,900.00</u>	<u>24,900.00</u>	<u>25,402.16</u>	<u>(502.16)</u>
Total Public Safety	510,335.00	595,767.00	622,876.46	(27,109.46)
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	104,925.00	114,175.00	255,330.18	(141,155.18)
Sanitation	125,338.00	144,201.00	159,066.71	(14,865.71)
Maintenance of buildings and grounds	<u>197,421.00</u>	<u>197,421.00</u>	<u>208,709.99</u>	<u>(11,288.99)</u>
Total Public Works	427,684.00	455,797.00	623,106.88	(167,309.88)
<i>Parks, Recreation, and Cultural</i>				
Regional library	7,876.00	7,876.00	14,410.76	(6,534.76)
Parks and recreation	48,950.00	73,950.00	49,633.33	24,316.67
Cultural	<u>17,540.00</u>	<u>17,540.00</u>	<u>21,704.33</u>	<u>(4,164.33)</u>
Total Parks, Recreation, and Cultural	74,366.00	99,366.00	85,748.42	13,617.58
<i>Community Development</i>				
Planning and community development	<u>-</u>	<u>-</u>	<u>528,865.50</u>	<u>(528,865.50)</u>
Total Community Development	-	-	528,865.50	(528,865.50)
<i>Debt Service</i>	<u>116,152.00</u>	<u>116,152.00</u>	<u>107,902.07</u>	<u>8,249.93</u>
Total Expenditures	<u>1,369,641.00</u>	<u>1,508,186.00</u>	<u>2,374,317.02</u>	<u>(866,131.02)</u>
Excess (Deficiency) of Revenues Over Expenditures	76,412.00	7,862.00	(265,586.06)	(273,448.06)
Other Financing Sources (Uses)				
Contingency/surplus	(36,412.00)	32,138.00	-	(32,138.00)
Proceeds from loans	-	-	132,084.81	132,084.81
Transfers out	<u>(40,000.00)</u>	<u>(40,000.00)</u>	<u>-</u>	<u>40,000.00</u>
Total Other Financing Sources (Uses)	<u>(76,412.00)</u>	<u>(7,862.00)</u>	<u>132,084.81</u>	<u>139,946.81</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(133,501.25)	<u>\$ (133,501.25)</u>
Fund Balance - Beginning of Year			<u>597,810.93</u>	
Fund Balance - End of Year			<u>\$ 464,309.68</u>	

OTHER SUPPLEMENTARY INFORMATION

Town of Clarksville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2013

	Special Revenue Funds			Total Other Governmental Funds
	Police Asset Forfeiture	Veteran's Memorial	Cemetery Fund	
Assets				
Cash and investments	\$ 4,958.02	\$ 9,107.54	\$ 172,076.77	\$ 186,142.33
Total Assets	<u>\$ 4,958.02</u>	<u>\$ 9,107.54</u>	<u>\$ 172,076.77</u>	<u>\$ 186,142.33</u>
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance				
Assigned	<u>4,958.02</u>	<u>9,107.54</u>	<u>172,076.77</u>	<u>186,142.33</u>
Total Fund Balance	<u>4,958.02</u>	<u>9,107.54</u>	<u>172,076.77</u>	<u>186,142.33</u>
Total Liabilities and Fund Balance	<u>\$ 4,958.02</u>	<u>\$ 9,107.54</u>	<u>\$ 172,076.77</u>	<u>\$ 186,142.33</u>

Town of Clarksville, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

At June 30, 2013

	Special Revenue Funds			Total Other Governmental Funds
	Police Asset Forfeiture	Veteran's Memorial	Cemetery Fund	
Revenues				
Use of money and property	\$ -	\$ 4.67	\$ 7.18	\$ 11.85
Miscellaneous	-	1,885.00	2,328.00	4,213.00
Intergovernmental				
From the Commonwealth of Virginia	<u>357.83</u>	<u>-</u>	<u>-</u>	<u>357.83</u>
Total Revenues	357.83	1,889.67	2,335.18	4,582.68
Expenditures				
Current				
Public safety	13,496.47	-	-	13,496.47
Parks, recreation, and cultural	<u>-</u>	<u>1,297.19</u>	<u>-</u>	<u>1,297.19</u>
Total Expenditures	<u>13,496.47</u>	<u>1,297.19</u>	<u>-</u>	<u>14,793.66</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,138.64)	592.48	2,335.18	(10,210.98)
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(13,138.64)	592.48	2,335.18	(10,210.98)
Fund Balance - Beginning of Year	<u>18,096.66</u>	<u>8,515.06</u>	<u>169,741.59</u>	<u>196,353.31</u>
Fund Balance - End of Year	<u>\$ 4,958.02</u>	<u>\$ 9,107.54</u>	<u>\$ 172,076.77</u>	<u>\$ 186,142.33</u>

Town of Clarksville, Virginia

Economic Development Authority of the Town of Clarksville, Virginia
A Component Unit of the Town of Clarksville, Virginia

Statement of Net Position

As of June 30, 2013

Assets

Current Assets

Cash	\$ 50,432.80
Total Current Assets	50,432.80

Noncurrent Assets

Capital Assets

Land	438,853.41
Land improvements	658,894.01
Buildings	949,735.20
Equipment	16,152.10
Less: Accumulated depreciation	<u>(295,800.99)</u>

Net Capital Assets 1,767,833.73

Loan fees	2,104.38
Amortization of loan fees	<u>(1,307.68)</u>

Total Noncurrent Assets 796.70

Total Assets \$ 1,819,063.23

Liabilities and Net Position

Liabilities

Short-Term Liabilities

Accounts payable	\$ 1,500.00
Prepaid rents	2,000.00
Notes payable - current portion	<u>20,209.21</u>
Total Short-Term Liabilities	23,709.21

Long-Term Liabilities

Note payable - less current portion	<u>61,922.62</u>
Total Long-Term Liabilities	<u>61,922.62</u>

Total Liabilities 85,631.83

Net Position

Net investment in capital assets	1,685,701.90
Unrestricted	<u>47,729.50</u>

Total Net Position 1,733,431.40

Total Liabilities and Net Position \$ 1,819,063.23

Town of Clarksville, Virginia

Economic Development Authority of the Town of Clarksville, Virginia
A Component Unit of the Town of Clarksville, Virginia

Statement of Activities

Year Ended June 30, 2013

Operating Revenues

Rental income	\$ 63,000.00
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Total Operating Revenues	63,000.00
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Operating Expenses

Contributions - business development	24,000.00
Marketing consultant	18,000.00
Depreciation	29,768.40
Professional fees	3,025.00
Advertising	6,289.00
Insurance	181.00
Meeting	202.97
Miscellaneous	41.16

Total Operating Expenses	81,507.53
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Operating Loss	(18,507.53)
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Non-Operating Revenues

-

Net Non-Operating Revenues	-
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Non-Operating Expenses

Interest	3,708.56
Amortization of loan fees	140.29

Total Non-Operating Expenses	3,848.85
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Net Non-Operating Revenues (Expenses)	(3,848.85)
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Change in Net Position	(22,356.38)
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Total Net Position - Beginning of Year	1,755,787.78
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Contributed Capital	-
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Total Net Position - End of Year	\$1,733,431.40
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Town of Clarksville, Virginia

Economic Development Authority of the Town of Clarksville, Virginia A Component Unit of the Town of Clarksville, Virginia

Statement of Cash Flows

Year Ended June 30, 2013

Cash Flows from Operating Activities

Rents	\$ 65,500.00
Payments to suppliers	(24,935.70)
Contributions	<u>(24,000.00)</u>

Net Cash Provided by Operating Activities 16,564.30

Cash Flows from Capital and Related Financing Activities

Principal payments made	(20,044.63)
Interest and fee expense	<u>(3,708.56)</u>

Net Cash Used in Capital and Related Financing Activities (23,753.19)

Cash Flows from Investing Activities

Purchase of land	<u>(41,338.23)</u>
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Net Cash Used in Investing Activities (41,338.23)

Cash Flows from Non-Capital Activities

Net Cash Provided by (Used in) Non-Capital Activities -

Net Decrease in Cash and Cash Equivalents (48,527.12)

Cash and Cash Equivalents - Beginning of Year 98,959.92

Cash and Cash Equivalents - End of Year \$ 50,432.80

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating loss	\$ (18,507.53)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	29,768.40
Decrease in accounts receivable	3,500.00
Increase in prepaid rents	2,000.00
Decrease in accrued interest	<u>(196.57)</u>

Net Cash Provided by Operating Activities \$ 16,564.30

COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
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*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly N. Walker, CPA*

Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

**INDEPENDENT AUDITOR'S 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 Town Council
Town of Clarksville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely component unit, each major fund, and the aggregate remaining fund information of Town of Clarksville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Clarksville, Virginia's basic financial statements and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

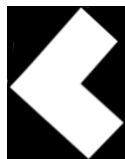
Purpose of this Report

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



Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
June 23, 2014



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& Alga**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Town Council
Town of Clarksville, Virginia

Report on Compliance for Each Major Federal Program

We have audited Town of Clarksville, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Clarksville, Virginia's major federal programs for the year ended June 30, 2013. Town of Clarksville, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Town of Clarksville, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
June 23, 2014

Town of Clarksville, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U. S. Environmental Protection Agency		
Pass-Through Payments		
Capitalization Grants for Drinking Water		
State Revolving Funds	66.468*	\$ 903,449
U. S. Department of Housing		
Pass-Through Payments		
Community Development Block Grants	14.228*	789,514
U. S. Department of Justice		
Pass-Through Payments		
Local Law Enforcement Block Grant	16.710	30,836
Asset Forfeiture	16.000	358
U. S. Department of Transportation		
Pass-Through Payments		
Ground Transportation Systems - Police	20.607	<u>9,768</u>
 Grand Totals		 <u>\$ 1,733,925</u>

*Denotes Major Program

Notes to Schedule of Expenditures of Federal Awards

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Town and is presented on GAAP. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Town of Clarksville, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unmodified opinion** on the financial statements of Town of Clarksville, Virginia.
- (b) **No significant deficiencies** disclosed during the audit of the financial statements are reported in the Independent Auditor's 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*.
- (c) **No instances of noncompliance** material to the financial statements of Town of Clarksville, Virginia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) **No significant deficiencies** in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for Town of Clarksville, Virginia expresses an **unmodified opinion** on all major federal programs.
- (f) **No audit findings** that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
- (g) The programs tested as major programs included:
 - 1. CFDA #66.468, Capitalization Grants for Drinking Water State Revolving Funds
 - 2. CFDA #14.228, Community Development Block Grant
- (h) The **threshold used** for distinguishing between Type A and B programs was **\$300,000**.
- (i) Town of Clarksville, Virginia was determined to be a **high-risk auditee**.

2. FINDINGS – FINANCIAL STATEMENT AUDIT

None

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Town of Clarksville, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES

Identifying Number: 2012-1 Segregation of Duties

Finding: Lack of segregation of duties between the recordation and initiation of transactions by the Town. Due to the small size of the Town, collection and disbursements of funds, in addition to recordation of all transactions, are performed by the Town Treasurer.

Corrective Action Taken or Planned: The Town has implemented our suggestions. The Town manager reviews and signs off bank reconciliations and various other transactions.

Identifying Number: 2012-2 Inability to Create Own Financial Statements

Finding: Inability of the Town to create its own financial statements in accordance with generally accepted accounting principles.

Corrective Action Taken or Planned: The Town has implemented our suggestions. Journal entries are approved and the Town asks for our assistance in preparing GAAP basis financial statements.