



## **AUDIT REPORT**

**Year Ended June 30, 2013**

**TOWN OF CLINTWOOD, VIRGINIA  
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June 30, 2013**

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TOWN OF CLINTWOOD, VIRGINIA  
TOWN OFFICIALS

MAYOR:

Donald Baker

TOWN COUNCIL:

Ronald Kendrick  
Danny Lambert  
Glen Lawrence  
Doris Rife  
Talbert Bolling

PLANNING COMMISSION:

Charles Fleming  
Doris Rife  
Norma Patton  
Tammy Robinson  
Joe Moore  
Gene Rife  
Randy Davis

OTHER OFFICIALS:

Town Manager  
Treasurer – Clerk  
Police Chief  
Legal Counsel

Donald Baker  
Judy Steele  
Rick Mullins  
Short Law Firm

# LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANT

P. O. BOX 2080 WISE, VIRGINIA 24293-2080

TELEPHONE (276) 328-9593 FAX (276) 328-2131

email: [lsturgill@larrydsturgillcpa.com](mailto:lsturgill@larrydsturgillcpa.com)

MEMBER  
TENNESSEE & VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Members of Town Council  
Town of Clintwood  
Clintwood, Virginia 24228

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Clintwood, 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Clintwood, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Town has not presented management's discussion and analysis, however, the budgetary comparison information can be found on pages 27 – 31. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Honorable Members of Town Council  
Town of Clintwood  
Clintwood, Virginia 24228  
Page 3

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clintwood, Virginia's basic financial statements. The introductory section and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, on our consideration of the Town of Clintwood, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Clintwood, Virginia's internal control over financial reporting and compliance.

 L. D. Sturgill, P.C.

Larry D. Sturgill, P.C.  
Wise, Virginia  
June 25, 2014

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

EXHIBIT 1

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,102,309	\$ 1,227,820	\$ 2,330,129
Receivables:			
Taxes	41,291	-	41,291
Accounts	8,600	94,364	102,964
Other	38,106	583	38,689
Due from other governmental units	32,608	-	32,608
Prepaid Expenses	13,783	6,013	19,796
Internal Balances	(75,524)	75,524	-
Restricted Assets:			
Cash	38,454	29,314	67,768
Capital assets, depreciable, net	3,825,613	5,672,184	9,497,797
Capital assets, non-depreciable	323,617	201,457	525,074
<b>TOTAL ASSETS</b>	<b>\$ 5,348,857</b>	<b>\$ 7,307,259</b>	<b>\$ 12,656,116</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 37,028	\$ 159,481	\$ 196,509
Accrued liabilities and wages	19,932	8,588	28,520
Payable From Restricted Assets:			
Deposits	-	49,180	49,180
Deferred revenue	-	-	-
Matured revenue interest	29	-	29
Long-term liabilities			
Due within one year	8,667	14,033	22,700
Due in more than one year	-	280,649	280,649
Compensated absences			
Due within one year	10,552	4,961	15,513
Due in more than one year	7,034	3,307	10,341
<b>TOTAL LIABILITIES</b>	<b>83,242</b>	<b>520,199</b>	<b>603,441</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	4,140,563	5,578,959	9,719,522
Restricted	-	-	-
Unrestricted	1,125,052	1,208,101	2,333,153
<b>TOTAL NET POSITION</b>	<b>\$ 5,265,615</b>	<b>\$ 6,787,060</b>	<b>\$ 12,052,675</b>

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



**TOWN OF CLINTWOOD, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2013

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 249,935	\$ -	\$ -	\$ -	\$ (249,935)	\$ -	\$ (249,935)
Public safety	370,895	6,000	58,524	-	(306,371)	-	(306,371)
Public works	384,570	119,604	-	-	(264,966)	-	(264,966)
Parks, recreation, and cultural	300,435	13,525	17,366	-	(269,544)	-	(269,544)
Community development	13,799	-	-	-	(13,799)	-	(13,799)
Interest on long-term debt	1,947	-	-	-	(1,947)	-	(1,947)
Non-departmental	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>1,321,581</b>	<b>139,129</b>	<b>75,890</b>	<b>-</b>	<b>(1,106,562)</b>	<b>-</b>	<b>(1,106,562)</b>
<b>Business-Type Activities:</b>							
Water	1,041,235	1,006,281	-	25,000	-	(9,954)	(9,954)
Wastewater	402,862	259,144	-	15,000	-	(128,718)	(128,718)
<b>Total Business-Type Activities</b>	<b>1,444,097</b>	<b>1,265,425</b>	<b>-</b>	<b>40,000</b>	<b>-</b>	<b>(138,672)</b>	<b>(138,672)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,765,678</b>	<b>\$ 1,404,554</b>	<b>\$ 75,890</b>	<b>\$ 40,000</b>	<b>\$ (1,106,562)</b>	<b>\$ (138,672)</b>	<b>\$ (1,245,234)</b>

<b>General Revenues:</b>			
Property taxes	111,179	-	111,179
Local sales & use tax	26,343	-	26,343
Utility tax	43,998	-	43,998
Business license tax	184,163	-	184,163
Communication taxes	74,705	-	74,705
Motor vehicle license	12,427	-	12,427
Bank stock tax	72,202	-	72,202
Cigarette tax	31,678	-	31,678
Hotel and motel room tax	13,178	-	13,178
Restaurant food tax	337,064	-	337,064
Coal road improvement tax	25,000	-	25,000
Unrestricted intergovernmental revenue	1,203	-	1,203
Unrestricted investment earnings	8,797	2,569	11,366
Rental of Town property	27,169	-	27,169
Gain on sale of capital assets	-	-	-
Recovered Costs	-	-	-
Transfers-Primary Government	75,524	(75,524)	-
Other	147,644	-	147,644
<b>Total general revenues and transfers</b>	<b>1,192,274</b>	<b>(72,955)</b>	<b>1,119,319</b>
Change in net assets	85,712	(211,627)	(125,915)
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION- JULY 1</b>	<b>5,179,903</b>	<b>6,998,687</b>	<b>12,178,590</b>
<b>NET POSITION- JUNE 30</b>	<b>\$ 5,265,615</b>	<b>\$ 6,787,060</b>	<b>\$ 12,052,675</b>

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
June 30, 2013

EXHIBIT 3

	<u>General Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,102,309	\$ 1,102,309
Receivables:		
Taxes	41,291	41,291
Accounts	8,600	8,600
Other	38,106	38,106
Prepaid Expenses	13,783	13,783
Due from other funds	-	-
Due from other governmental units	32,608	32,608
Restricted Assets:		
Cash	<u>38,454</u>	<u>38,454</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,275,151</u></b>	<b><u>\$ 1,275,151</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 37,028	\$ 37,028
Accrued payroll and related liabilities	19,932	19,932
Due to other funds	<u>75,524</u>	<u>75,524</u>
<b>TOTAL LIABILITIES</b>	<b><u>132,484</u></b>	<b><u>132,484</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property taxes	<u>40,143</u>	<u>40,143</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>40,143</u></b>	<b><u>40,143</u></b>
<b>FUND BALANCES</b>		
Nonspendable	13,783	13,783
Restricted	16,971	16,971
Committed	-	-
Assigned	-	-
Unassigned	<u>1,071,770</u>	<u>1,071,770</u>
<b>TOTAL FUND BALANCE</b>	<b><u>1,102,524</u></b>	<b><u>1,102,524</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b><u>\$ 1,275,151</u></b>	<b><u>\$ 1,275,151</u></b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 1,102,524</b>	
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	4,149,230	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	40,143	
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(17,586)	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(8,696)</u>	
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 5,265,615</u></b>	

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
For the Year Ended June 30, 2013

EXHIBIT 4

	<u>General Fund</u>	<u>Total</u>
<b>REVENUES:</b>		
General property taxes	\$ 110,717	\$ 110,717
Other local taxes	820,758	820,758
Permits, privilege fees and regulatory licenses	5,609	5,609
Fines and forfeitures	8,540	8,540
Revenue from use of money and property	35,966	35,966
Charges for services	139,129	139,129
Miscellaneous	133,345	133,345
Intergovernmental	<u>77,093</u>	<u>77,093</u>
<b>TOTAL REVENUES</b>	<u>1,331,157</u>	<u>1,331,157</u>
<b>EXPENDITURES:</b>		
<b>Current:</b>		
General government administration	245,993	245,993
Public safety	313,740	313,740
Public works	364,235	364,235
Parks, recreation and cultural	222,825	222,825
Community development	13,799	13,799
<b>Debt Service:</b>		
Principle retirement	52,795	52,795
Interest	<u>2,848</u>	<u>2,848</u>
<b>TOTAL EXPENDITURES</b>	<u>1,216,235</u>	<u>1,216,235</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	114,922	114,922
<b>OTHER FINANCING SOURCES (USES):</b>		
Sale of property	150	150
Insurance recoveries	-	-
Loan proceeds	-	-
Transfers in (out)	<u>75,524</u>	<u>75,524</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	75,674	75,674
 Net Change in Fund Balance	190,596	190,596
<b>FUND BALANCE AT JULY 1</b>	<u>911,928</u>	<u>911,928</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 1,102,524</u></u>	<u><u>\$ 1,102,524</u></u>

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

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

EXHIBIT 5

	<u>General Fund</u>
<b>Net Change in Fund Balance Governmental Fund:</b>	<b>\$ 190,596</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(158,013)
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	462
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	52,795
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.	<u>(128)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 85,712</u></b>

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2013

EXHIBIT 6

	<b>ENTERPRISE FUNDS</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,081,113	\$ 146,707	\$ 1,227,820
Receivables (Net of Allowance for Uncollectibles):			
Accounts	77,624	16,740	94,364
Grants	-	-	-
Accrued interest	553	30	583
Due from other funds	192,036	1,488	193,524
Prepaid Expenses	6,013	-	6,013
Restricted Assets:			
Cash	29,314	-	29,314
Land	56,735	6,531	63,266
Capital assets, net	3,466,785	2,343,590	5,810,375
<b>TOTAL ASSETS</b>	<b>\$ 4,910,173</b>	<b>\$ 2,515,086</b>	<b>\$ 7,425,259</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 108,857	\$ 50,624	\$ 159,481
Accrued wages and liabilities	8,588	-	8,588
Payable From Restricted Assets:			
Customer deposits	49,180	-	49,180
Due to other funds	-	118,000	118,000
Accrued interest payable	-	-	-
Revenue bond payable	14,033	-	14,033
Compensated absences	4,961	-	4,961
Total Current Liabilities	185,619	168,624	354,243
Noncurrent liabilities:			
Revenue bond payable	280,649	-	280,649
Compensated absences	3,307	-	3,307
Total Noncurrent Liabilities	283,956	-	283,956
<b>TOTAL LIABILITIES</b>	<b>469,575</b>	<b>168,624</b>	<b>638,199</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	3,228,838	2,350,121	5,578,959
Restricted	-	-	-
Unrestricted (deficit)	1,211,760	(3,659)	1,208,101
<b>TOTAL NET POSITION</b>	<b>4,440,598</b>	<b>2,346,462</b>	<b>6,787,060</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,910,173</b>	<b>\$ 2,515,086</b>	<b>\$ 7,425,259</b>

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2013

EXHIBIT 7

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Water rents	\$ 961,447	\$ -	\$ 961,447
Sewer rents	-	256,118	256,118
Sale of labor and materials	-	-	-
Water and sewer tap fees	11,620	800	12,420
Miscellaneous	33,214	2,226	35,440
<b>TOTAL OPERATING REVENUES</b>	<u>1,006,281</u>	<u>259,144</u>	<u>1,265,425</u>
<b>OPERATING EXPENSES:</b>			
Personal services	168,987	-	168,987
Fringe benefits	94,037	-	94,037
Contractual services	247,121	202,050	449,171
Other charges	199,532	38,165	237,697
Depreciation	331,558	162,647	494,205
<b>TOTAL OPERATING EXPENSES</b>	<u>1,041,235</u>	<u>402,862</u>	<u>1,444,097</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(34,954)</u>	<u>(143,718)</u>	<u>(178,672)</u>
<b>NON-OPERATING REVENUES (EXPENSES) :</b>			
Grant revenue	25,000	15,000	40,000
Operating Transfers In		118,000	118,000
Operating Transfers (Out)	(192,036)	(1,488)	(193,524)
Interest income	2,354	215	2,569
Interest expense	-	-	-
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>(164,682)</u>	<u>131,727</u>	<u>(32,955)</u>
<b>CHANGE IN NET POSITION</b>	(199,636)	(11,991)	(211,627)
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-
<b>NET POSITION AT JULY 1</b>	<u>4,640,234</u>	<u>2,358,453</u>	<u>6,998,687</u>
<b>NET POSITION AT JUNE 30</b>	<u>\$ 4,440,598</u>	<u>\$ 2,346,462</u>	<u>\$ 6,787,060</u>

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2013

EXHIBIT 8  
PAGE 1

	<b>ENTERPRISE FUNDS</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 978,354	\$ 260,914	\$ 1,239,268
Cash payments to suppliers for goods and services	(535,041)	(239,393)	(774,434)
Cash payments to employees for services	(167,530)	-	(167,530)
Other operating income	33,214	2,226	35,440
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>308,997</b>	<b>23,747</b>	<b>332,744</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Increase ( decrease ) in customer deposits	1,825	-	1,825
Operating transfers from other funds	-	118,000	118,000
Operating transfers to other funds	(192,036)	(1,488)	(193,524)
Interfund loans-proceeds and collections	233,459	(127,469)	105,990
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>43,248</b>	<b>(10,957)</b>	<b>32,291</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
(Increase) decrease in Capital Assets	(75,829)	(9,475)	(85,304)
(Increase) decrease in construction in progress	(51,441)	-	(51,441)
Principle paid on revenue bond maturities and equipment contracts	(14,032)	-	(14,032)
Principle advances from bond and note proceeds	-	-	-
Contributed capital - Grant revenue	65,966	15,000	80,966
Interest paid on revenue bonds and equipment contracts	-	-	-
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(75,336)</b>	<b>5,525</b>	<b>(69,811)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	2,354	245	2,599
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>2,354</b>	<b>245</b>	<b>2,599</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>279,263</b>	<b>18,560</b>	<b>297,823</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>831,164</b>	<b>128,147</b>	<b>959,311</b>
Cash and Cash Equivalents at June 30, 2013			
Unrestricted	\$ 1,081,113	\$ 146,707	\$ 1,227,820
Restricted	29,314	-	29,314
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,110,427</b>	<b>\$ 146,707</b>	<b>\$ 1,257,134</b>

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2013

EXHIBIT 8  
PAGE 2

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	<u>\$ (34,954)</u>	<u>\$ (143,718)</u>	<u>\$ (178,672)</u>
<b>Adjustments to Reconcile Operating Income to  Net Cash Provided by Operating Activities:</b>			
Depreciation	331,558	162,647	494,205
Provision for compensated absences	1,716	-	1,716
<b>Change in Assets and Liabilities:</b>			
(Increase) decrease in accounts receivable	5,287	3,996	9,283
Increase (decrease) in accounts payable	6,112	822	6,934
Increase (decrease) in wages payable	(259)	-	(259)
(Increase) decrease in prepaid expenses	<u>(463)</u>	<u>-</u>	<u>(463)</u>
<b>TOTAL ADJUSTMENTS</b>	<u>343,951</u>	<u>167,465</u>	<u>511,416</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 308,997</u></u>	<u><u>\$ 23,747</u></u>	<u><u>\$ 332,744</u></u>

Disclosure of Accounting Policy - For purposes of the statement of cash flows, the water and sewer funds consider all highly liquid investments (including restricted maturity of three months or less) when purchased to be cash equivalents.



NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. **Reporting Entity**

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

B. **Financial Reporting Model**

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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

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

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

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

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

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

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

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

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

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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

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

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

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

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

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

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

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

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

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June 30, 2013

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the Town's enterprise funds are charges to customers for goods and services. Operating expenses for these funds include the cost of sales and service, administrative expenses and depreciation of capital assets. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

The Town reports the following major governmental funds:

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

*Proprietary Funds* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town reports the following proprietary fund types, all of which are considered major funds:

The *Water Fund* accounts for the operations of the Town's water distribution system.

The *Wastewater Fund* accounts for the operations of the Town's wastewater collection system.

GASB Statement No. 20 requires proprietary activities to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB No. 20, management has elected not to apply FASB pronouncement issues after November 30, 1989.

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

D. **Budgets and Budgetary Accounting**

As set forth in the Town Charter, the Town Council adopts an annual budget for the General Fund and Enterprise Funds. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation is not funded. All annual appropriations lapse at fiscal year-end.

E. **Encumbrances**

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

F. **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$3,000 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

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

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

<u>Assets</u>	<u>Years</u>
Buildings/building improvements	40
Utility transmission lines and mains	20-40
Furniture and equipment	10
Vehicles	5-7

G. **Cash Equivalents**

For the purposes of the combined statement of cash flows, the water fund and the sewer fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. **Total Columns on Combined Statements - Overview**

The total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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June 30, 2013

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

I. **Fund Equity**

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

# TOWN OF CLINTWOOD, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 2. CASH AND CASH EQUIVALENTS

#### Deposits

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

#### Investments

##### Investment Policy:

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

##### Credit Risk:

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

##### Concentration of Credit Risk:

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

B B & T Bank	100%
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##### Custodial Credit Risk:

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

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

	Primary Government
<b>DEPOSITS AND INVESTMENTS:</b>	
Cash on hand	\$ 355
Deposits	832,108
Investments	<u>1,565,434</u>
<b>TOTAL</b>	<b><u>\$ 2,397,897</u></b>
<b>STATEMENT OF NET POSITION:</b>	
Cash and cash equivalents	\$ 2,330,129
Restricted cash and cash equivalents	<u>67,768</u>
<b>TOTAL</b>	<b><u>\$ 2,397,897</u></b>

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

**TOWN OF CLINTWOOD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2013**

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**3. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The Town calculates its allowance for uncollectible accounts using historical collection data; and, in certain cases, specific account analysis. The allowance amounted to approximately \$23,943 at June 30, 2013, and is composed of the following:

**General Operating Fund:**

Allowance for uncollectible property taxes, garbage fees and late charges	\$ 7,291
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**Water Fund:**

Allowance for uncollectible water rents	13,698
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**Sewer Fund:**

Allowance for uncollectible sewer rents	<u>2,954</u>
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<b>TOTAL</b>	<b><u>\$ 23,943</u></b>
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**4. PROPERTY TAXES RECEIVABLE**

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

**5. DUE FROM OTHER GOVERNMENTAL UNITS**

**County of Dickenson:**

RE & PP Tax	\$ 16,371
Court Fines	<u>1,315</u>

<b>Total Due from Dickenson County</b>	<b><u>\$ 17,686</u></b>
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**Commonwealth of Virginia:**

Communication taxes	\$ 11,811
Local sales and use tax	2,311
Fire Program	<u>800</u>

<b>Total Due from State</b>	<b><u>\$ 14,922</u></b>
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<b>TOTAL DUE FROM OTHER GOVERNMENTAL UNITS</b>	<b><u>\$ 32,608</u></b>
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**TOWN OF CLINTWOOD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**6. INTERFUND OBLIGATIONS**

The following is a summary of amounts due from and due to other funds at June 30, 2013:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund:</b>		
Water Fund	\$ -	\$ 74,036
Sewer Fund	-	1,488
<b>Total General Fund</b>	-	<u>75,524</u>
<b>Water Fund:</b>		
General Fund	\$ 74,036	\$ -
Sewer Fund	118,000	-
<b>Total Water Fund</b>	<u>192,036</u>	-
<b>Sewer Fund:</b>		
General Fund	\$ 1,488	\$ -
Water Fund	-	118,000
<b>Total Sewer Fund</b>	<u>1,488</u>	<u>118,000</u>
<b>TOTALS</b>	<u>\$ 193,524</u>	<u>\$ 193,524</u>

**7. FUND BALANCES—GOVERNMENTAL FUNDS**

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Non-spendable:</b>			
Prepaid items	\$ 13,783	\$ —	\$ 13,783
<b>Restricted:</b>			
Cemetery	16,971	—	16,971
<b>Unassigned</b>	<u>1,071,770</u>	<u>—</u>	<u>1,071,770</u>
<b>Total fund balances</b>	<u>\$ 1,102,524</u>	<u>\$ —</u>	<u>\$ 1,102,524</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the finance committee has provided otherwise in its commitment or assignment actions.

**TOWN OF CLINTWOOD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**8. CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in capital assets:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not depreciated</b>				
Land	\$ 323,617	\$ -	\$ -	\$ 323,617
Total Capital Assets, not Depreciated	323,617	-	-	323,617
<b>Capital assets, depreciated</b>				
Buildings and improvements	5,037,218	76,463	-	5,113,681
Machinery and equipment	1,255,438	11,530	-	1,266,968
Total Capital Assets, Depreciated	6,292,656	87,993	-	6,380,649
<b>Less accumulated depreciation for</b>				
Buildings and improvements	1,511,240	151,208	-	1,662,448
Machinery and equipment	797,791	94,797	-	892,588
Total accumulated depreciation	2,309,031	246,005	-	2,555,036
Total Capital Assets, depreciated, net	3,983,625	(158,012)	-	3,825,613
Governmental activities capital assets, net	\$ 4,307,242	\$ (158,012)	\$ -	\$ 4,149,230
<b>Business Type Activities</b>				
<b>Capital assets, not depreciated</b>				
Land	\$ 63,266	\$ -	\$ -	\$ 63,266
Construction in progress	\$ -	\$ 138,191	\$ -	\$ 138,191
Total Capital Assets, not Depreciated	63,266	138,191	-	201,457
<b>Capital assets, depreciated</b>				
Buildings and water/sewer system	11,449,864	3,225	-	11,453,089
Improvements	3,852,800	28,559	-	3,881,359
Machinery and equipment	773,114	88,846	(11,500)	850,460
Total Capital Assets, Depreciated	16,075,778	120,630	(11,500)	16,184,908
<b>Less accumulated depreciation for</b>				
Buildings and water/sewer system	8,425,731	277,795	-	8,703,526
Improvements	1,209,088	169,468	-	1,378,556
Machinery and equipment	395,200	46,942	(11,500)	430,642
Total Accumulated Depreciation	10,030,019	494,205	(11,500)	10,512,724
Total Capital Assets, Depreciated, Net	6,045,759	(373,575)	-	5,672,184
Business-Type Activities Capital Assets, Net	\$ 6,109,025	\$ (235,384)	\$ -	\$ 5,873,641

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

9. **CAPITAL ASSETS**

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

**Governmental Activities:**

General government	\$ 7,397
Public safety	56,857
Public works	56,368
Parks & recreation	125,383
Total Depreciation Expense – Governmental Activities	<u>\$ 246,005</u>

**Business-Type Activities:**

Water and sewer	\$ 494,205
Total Depreciation Expense – Business-Type Activities	<u>\$ 494,205</u>

10. **LONG-TERM DEBT**

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

Years Ending June 30, 2013	Water Revenue Bonds		TOTAL	
	Principal	Interest	Principal	Interest
2014	14,033	-	14,033	-
2015	14,033	-	14,033	-
2016	14,033	-	14,033	-
2017	14,033	-	14,033	-
2018	14,033	-	14,033	-
2019-2023	70,165	-	70,165	-
2024-2028	70,165	-	70,165	-
2029-2033	70,165	-	70,165	-
2034-2038	14,022	-	14,022	-
<b>TOTALS</b>	<u>\$ 294,682</u>	<u>\$ -</u>	<u>\$ 294,682</u>	<u>\$ -</u>

Years Ending June 30, 2013	BB&T Line of Credit		TOTAL	
	Principal	Interest	Principal	Interest
2014	\$ 8,667	38	8,667	38
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
<b>TOTALS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,667</u>	<u>\$ 38</u>

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

10. **LONG-TERM DEBT (Continued)**

**Changes in Long-Term Debt:**

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

		<u>Total General Fund</u>
Bonds/loans payable at 6/30/12		\$ 61,462
Additions		-
Retirements		<u>( 52,795)</u>
Bonds/loans payable at 6/30/13		<u>\$ 8,667</u>

  

	<u>Water Revenue Bond</u>	<u>Total Enterprise Fund</u>
Bonds/loans payable at 6/30/12	\$ 308,714	\$ 308,714
Additions	-	-
Retirements	<u>( 14,032)</u>	<u>( 14,032)</u>
Bonds/loans payable at 6/30/13	<u>\$ 294,682</u>	<u>\$ 294,682</u>

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

10. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness:

General Obligation Bonds:

Amount

\$200,000 line of credit issued September 12, 2012 with interest at 5.25%. The loan renews on September 7, 2013 with balance due at renewal.

\$ 8,667

**TOTAL GOVERNMENTAL FUND LONG-TERM DEBT**

**\$ 8,667**

Enterprise Funds:

\$420,975 water revenue bond issued December 17, 2003 to Virginia Resource Authority with no interest. Principal payments of \$7,016 payable January 1, 2005, and semi-annually thereafter with final payment due on July 1, 2034.

\$294,682

**TOTAL ENTERPRISE FUND LONG-TERM DEBT**

**\$294,682**

11. CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town of Clintwood has accrued the liability arising from outstanding claims and judgments and compensated absences. At June 30, 2013, the Town of Clintwood had outstanding general leave, paid but unearned, totaling \$16,336 in the General Operating Fund and \$7,680 in the Enterprise Funds of earned, but unpaid leave.

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

Full time employees earn two weeks vacation and two weeks sick days each year after they have completed a full year of service. Accrued sick leave is limited to a maximum accumulation of 320 hours. Annual vacation leave may not be carried from one year to another. On the anniversary date of employment, any vacation leave not taken will be paid.

Upon termination of employment, employees are paid full pay for accumulated general leave. Temporary or part-time employees do not qualify for general leave.

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

	<u>Balance July 1, 2012</u>	<u>Additions/ Proceeds</u>	<u>Payments/ Reductions</u>	<u>Balance June 30, 2013</u>
<b><u>General Operating Fund</u></b>				
Accrued Compensated Absences	<u>\$ 15,379</u>	<u>\$ 23,507</u>	<u>\$ (22,550)</u>	<u>\$ 16,336</u>
<b><u>Enterprise Funds</u></b>				
Accrued Compensated Absences	<u>\$ 6,086</u>	<u>\$ 11,988</u>	<u>\$ (10,394)</u>	<u>\$ 7,680</u>

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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June 30, 2013

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12. **SIMPLIFIED EMPLOYEE PENSION – INDIVIDUAL RETIREMENT**

The Town of Clintwood, Virginia provides pension benefits for all of its full-time employees through a simplified employee-individual retirement plan. Employees are eligible to participate after one year of service and employee contributions to the plan are optional. The Town contributes up to a maximum of 6.5% of the employee's base salary. The Town's contributions for each employee and interest allocated to the employee's account are fully credited at the time of payment. Should the employee separate from employment, the employee will receive all of his or her contributions plus accrued interest and the amount of benefits and accrued interest that the Town has paid into the plan. The Town's total contribution expense in fiscal year 2013 was \$31,132.

13. **DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has no item that meets this criterion.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

The Town has deferred inflows totaling \$ 40,143 in the general fund comprised of the following:

**Deferred Property Tax Revenue**

Deferred inflows representing uncollected tax billings not available for funding of current expenditures totaled \$40,143 at June 30, 2013.

14. **SURETY BONDS**

The Town of Clintwood has a blanket bond with Virginia Municipal League covering all employees and council members at \$250,000 per occurrence. There is a \$1,250 deductible per occurrence. The bond covers theft of funds and theft of materials and equipment.

15. **CHANGE IN ACCOUNTING POLICY**

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

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**GOVERNMENTAL FUND REVENUES**  
**BUDGETARY COMPARISON**  
For the Year Ended June 30, 2013

SCHEDULE 1  
Page 1

**PRIMARY GOVERNMENT**

**GENERAL FUND:**

**Revenue from Local Sources:**

**General Property Taxes:**

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Real and Personal property taxes	\$ 105,000	\$ 105,000	\$ 110,027	\$ 5,027
Mobile Home taxes	1,000	1,000	690	(310)
<b>Total General Property Taxes</b>	<u>106,000</u>	<u>106,000</u>	<u>110,717</u>	<u>4,717</u>

**Other Local Taxes:**

Local sales and use taxes	22,000	22,000	26,343	4,343
Cigarette taxes	30,000	30,000	31,678	1,678
Utility taxes	44,000	44,000	43,998	(2)
Business licenses taxes	165,000	165,000	184,163	19,163
Communication taxes	70,000	70,000	74,705	4,705
Motor vehicle licenses	12,500	12,500	12,427	(73)
Bank stock taxes	72,000	72,000	72,202	202
Hotel and motel room taxes	7,000	7,000	13,178	6,178
Restaurant food taxes	345,000	345,000	337,064	(7,936)
Coal road improvement taxes	30,000	25,000	25,000	-
<b>Total Other Local Taxes</b>	<u>797,500</u>	<u>792,500</u>	<u>820,758</u>	<u>28,258</u>

**Permits, Privilege Fees, And Regulatory Licenses**

	<u>2,250</u>	<u>2,250</u>	<u>5,609</u>	<u>3,359</u>
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**Fines and Forfeitures**

	<u>10,300</u>	<u>10,300</u>	<u>8,540</u>	<u>(1,760)</u>
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**Revenue From Use Of Money and Property:**

Revenue from use of money	1,000	1,000	8,797	7,797
Revenue from use of property	25,930	25,930	27,169	1,239
<b>Total Revenue From Use of Money and Property</b>	<u>26,930</u>	<u>26,930</u>	<u>35,966</u>	<u>9,036</u>

**Charges For Services:**

Charges for sanitation and waste removal	122,000	122,000	119,604	(2,396)
Cemetery plots and materials	10,000	10,000	13,525	3,525
Donations for Fire Department Services	-	-	6,000	6,000
Charges for maintenance of highways, bridges, and streets	-	-	-	-
<b>Total Charges For Services</b>	<u>132,000</u>	<u>132,000</u>	<u>139,129</u>	<u>7,129</u>

**Miscellaneous Revenue**

	<u>127,975</u>	<u>127,975</u>	<u>133,345</u>	<u>5,370</u>
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**Total Revenue From Local Sources**

	<u>\$ 1,202,955</u>	<u>\$ 1,197,955</u>	<u>\$ 1,254,064</u>	<u>\$ 56,109</u>
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TOWN OF CLINTWOOD, VIRGINIA  
GOVERNMENTAL FUND REVENUES  
BUDGETARY COMPARISON  
For the Year Ended June 30, 2013

SCHEDULE 1  
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue From The Commonwealth:</b>				
<b>Non-Categorical Aid:</b>				
ABC profits	\$ -	\$ -	\$ -	\$ -
Litter grant	800	800	1,203	403
Motor vehicle carriers' taxes	-	-	-	-
Mobile home titling taxes	-	-	-	-
Rolling stock taxes	-	-	-	-
Assistance to localities with police departments	-	-	-	-
<b>Total Non-Categorical Aid</b>	<u>800</u>	<u>800</u>	<u>1,203</u>	<u>403</u>
<b>Other Categorical Aid:</b>				
State assistance	5,000	5,000	5,000	-
Fire programs fund	8,000	8,000	8,000	-
Other grant income	-	15,000	14,866	(134)
Law enforcement grant	45,424	45,424	48,024	2,600
<b>Total Other Categorical Aid</b>	<u>58,424</u>	<u>73,424</u>	<u>75,890</u>	<u>2,466</u>
<b>Total Revenue From The Commonwealth</b>	<u>59,224</u>	<u>74,224</u>	<u>77,093</u>	<u>2,869</u>
<b>Prior Years Surplus</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS</b>	<u>1,262,179</u>	<u>1,272,179</u>	<u>1,331,157</u>	<u>58,978</u>

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



TOWN OF CLINTWOOD, VIRGINIA  
GOVERNMENTAL FUND EXPENDITURES  
BUDGETARY COMPARISON  
For the Year Ended June 30, 2013

SCHEDULE 2  
Page 1

**PRIMARY GOVERNMENT**

**GENERAL FUND:**

**General and Financial Administration:**

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Salaries	65,375	67,375	67,392	(17)
Fringe benefits	30,810	30,810	29,466	1,344
Payroll taxes	11,810	14,410	12,280	2,130
Utilities	36,000	23,000	28,195	(5,195)
Insurance	33,000	33,000	32,282	718
Supplies	25,000	27,500	27,925	(425)
Legal and consulting	12,500	8,000	7,880	120
Independent auditor	18,000	19,900	12,168	7,732
Advertising	2,000	1,000	522	478
Planning	3,000	-	-	-
Janitorial	-	-	-	-
Repairs and maintenance	5,000	3,400	6,349	(2,949)
Miscellaneous	43,209	24,709	21,534	3,175
Capital Outlay	-	3,680	-	3,680
<b>Total General Government Administration</b>	<u>285,704</u>	<u>256,784</u>	<u>245,993</u>	<u>10,791</u>

**Public Safety:**

**Law Enforcement and Traffic Control:**

Salaries	152,050	156,910	155,265	1,645
Fringe Benefits	74,700	74,700	72,024	2,676
Payroll taxes	11,700	11,770	11,902	(132)
Office	8,000	8,000	7,577	423
Fuel	12,000	12,500	12,531	(31)
Repairs and maintenance	4,000	8,250	7,697	553
Capital purchases	4,000	5,510	5,456	54
Miscellaneous	2,400	5,860	6,704	(844)
<b>Total Law Enforcement and Traffic Control</b>	<u>268,850</u>	<u>283,500</u>	<u>279,156</u>	<u>4,344</u>

**Fire and Rescue Services:**

Volunteer fire department	28,800	33,800	33,584	216
Ambulance and rescue services	1,000	1,000	1,000	-
<b>Total Fire and Rescue Services</b>	<u>29,800</u>	<u>34,800</u>	<u>34,584</u>	<u>216</u>
<b>Total Public Safety</b>	<u>298,650</u>	<u>318,300</u>	<u>313,740</u>	<u>4,560</u>

**TOWN OF CLINTWOOD, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON**  
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Public Works:</b>				
<b>Sidewalks:</b>				
Salaries	147,400	132,797	131,505	1,292
Fringe benefits	48,400	48,400	46,559	1,841
Payroll taxes	11,300	11,300	10,160	1,140
Supplies	20,000	20,000	19,527	473
Repairs and maintenance	8,000	9,000	11,776	(2,776)
Fuel	9,000	7,500	6,352	1,148
Highways, streets, bridges, and sidewalks	60,000	36,420	36,535	(115)
Storm damage	6,000	-	-	-
Street lights	30,000	29,000	28,821	179
Capital purchases	-	6,000	5,900	100
Miscellaneous	4,500	5,103	4,305	798
<b>Total Maintenance of Highways, Streets,</b>	<u>344,600</u>	<u>305,520</u>	<u>301,440</u>	<u>4,080</u>
<b>Sanitation and Waste Removal:</b>				
Salaries	\$ 26,600	\$ 26,600	\$ 26,522	\$ 78
Fringe benefits	9,950	9,950	9,370	580
Payroll taxes	2,200	2,200	2,129	71
Repair and Maintenance	10,500	16,000	14,658	1,342
Fuel	10,000	10,000	10,116	(116)
Refuse collection	-	-	-	-
Capital purchases	-	-	-	-
<b>Total Sanitation and Waste Removal</b>	<u>59,250</u>	<u>64,750</u>	<u>62,795</u>	<u>1,955</u>
<b>Total Public Works</b>	<u>403,850</u>	<u>370,270</u>	<u>364,235</u>	<u>6,035</u>
<b>Parks, Recreation and Cultural:</b>				
<b>Park and Recreation</b>				
Kids corner park	3,000	3,000	2,334	666
Community park	4,500	17,000	15,824	1,176
Community center	5,625	5,625	3,037	2,588
Cemetery	-	3,000	2,907	93
Fourth of July	32,900	35,300	26,642	8,658
<b>Total Parks and Recreation</b>	<u>46,025</u>	<u>63,925</u>	<u>50,744</u>	<u>13,181</u>
<b>Cultural Enrichment:</b>				
Jettie Baker Center	67,200	64,400	49,361	15,039
Ralph Stanley Museum	89,225	125,725	119,970	5,755
Crooked Road	2,000	2,750	2,750	-
<b>Total Cultural Enrichment</b>	<u>158,425</u>	<u>192,875</u>	<u>172,081</u>	<u>20,794</u>
<b>Total Parks, Recreation and Cultural</b>	<u>204,450</u>	<u>256,800</u>	<u>222,825</u>	<u>33,975</u>

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

**TOWN OF CLINTWOOD, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON**  
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Community Development:</b>				
Community Development	<u>14,300</u>	<u>14,300</u>	<u>13,799</u>	<u>501</u>
<b>Total Planning and Community Development</b>	<u>14,300</u>	<u>14,300</u>	<u>13,799</u>	<u>501</u>
<b>Total Community Development</b>	<u>14,300</u>	<u>14,300</u>	<u>13,799</u>	<u>501</u>
<b>Non-Departmental:</b>				
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Non-Departmental</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt Service:</b>				
Principal retirement	<u>\$ 55,225</u>	<u>\$ 55,725</u>	<u>\$ 52,795</u>	<u>\$ 2,930</u>
Interest	<u>-</u>	<u>-</u>	<u>2,848</u>	<u>(2,848)</u>
<b>Total Non-Departmental</b>	<u>55,225</u>	<u>55,725</u>	<u>55,643</u>	<u>82</u>
 <b>GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS</b>	 <u>\$ 1,262,179</u>	 <u>\$ 1,272,179</u>	 <u>\$ 1,216,235</u>	 <u>\$ 55,944</u>
 <b>OTHER FINANCING RESOURCES (USES):</b>				
Sale of property	<u>-</u>	<u>-</u>	<u>150</u>	<u>(150)</u>
Insurance recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers in (out)	<u>-</u>	<u>-</u>	<u>75,524</u>	<u>(75,524)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>75,674</u>	<u>(75,674)</u>
 <b>Net Increase (Decrease) in Fund Balances</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 190,596</u>	 <u>\$ 190,596</u>

# LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANT

P. O. BOX 2080 WISE, VIRGINIA 24293-2080

MEMBER  
TENNESSEE & VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE (276) 328-9593 FAX (276) 328-2131

email: [lsturgill@larrydsturgillcpa.com](mailto:lsturgill@larrydsturgillcpa.com)

## DEPENDENT 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

The Honorable Council Members of the  
Town of Clintwood  
Clintwood, VA 24228

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Clintwood, 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, and have issued our report thereon dated June 25, 2014.

### Internal Control Over Financial Reporting

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

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

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

The Honorable Council Members of the  
Town of Clintwood .  
Clintwood, Virginia 24228  
Page 2

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 the Town of Clintwood, 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.



Larry D. Sturgill, P.C.  
Wise, VA  
June 25, 2014

**TOWN OF CLINTWOOD, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2013**

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

**STATE COMPLIANCE MATTERS**

**Code of Virginia:**

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

**LOCAL COMPLIANCE MATTERS**

Town Charter