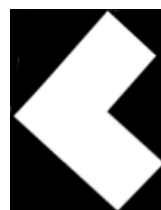


***Town of Clarksville, Virginia***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2014***



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

## Town of Clarksville, Virginia

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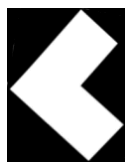
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## **FINANCIAL SECTION**



**Creedle  
Jones  
& Alga**

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*Sherwood H. Creedle, Emeritus*

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

## INDEPENDENT AUDITOR'S REPORT

To the 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 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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clarksville, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–8 and 45–47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 combining and individual nonmajor fund financial statements 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 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 April 11, 2015, 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.

*Creedle, Jones & Alga, P.C.*

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

South Hill, Virginia  
April 11, 2015

## 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, 2014. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

### Financial Highlights

#### 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 \$9,165,540.44. Of this amount, \$1,030,281.97 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 \$1,820,941.99 and expenses amounted to \$1,665,496.26. The Town's governmental activities net position increased \$140,445.73.
- For business-type activities, revenues were \$1,111,059.29 and expenses were \$1,315,552.79. The net position decreased by \$189,493.50.

#### Highlights for Fund Financial Statements

- As of June 30, 2014, the Town's Governmental Funds reported combined fund balances of \$512,477.28, a decrease of \$137,974.73 in comparison with the prior year. Approximately \$337,342.52 or 65.83 percent of the combined fund balances is available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$337,342.52, a decrease of \$126,967.16 from June 30, 2013.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

### 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.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources 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.

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 financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Furthermore, the government-wide financial statements include a legally separate entity, the EDA of the Town of Clarksville, VA, for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has two types 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 long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other Town non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

*Proprietary Funds* – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

### **Notes to the Basic Financial Statements**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

### **Other**

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.



## 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, 2014 and 2013

	<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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>								
Current and other								
assets	\$ 651,639.55	\$ 866,034.89	\$ 711,333.91	\$ 676,710.88	\$ 1,362,973.46	\$ 1,542,745.77	\$ 59,262.01	\$ 51,229.50
Capital assets (net)	<u>4,361,632.75</u>	<u>4,168,353.12</u>	<u>9,084,168.39</u>	<u>9,369,424.67</u>	<u>13,445,801.14</u>	<u>13,537,777.79</u>	<u>1,742,898.66</u>	<u>1,767,833.73</u>
Total Assets	<u>\$ 5,013,272.30</u>	<u>\$ 5,034,388.01</u>	<u>\$ 9,795,502.30</u>	<u>\$ 10,046,135.55</u>	<u>\$ 14,808,774.60</u>	<u>\$ 15,080,523.56</u>	<u>\$ 1,802,160.67</u>	<u>\$ 1,819,063.23</u>
<b>Liabilities</b>								
Other liabilities	\$ 106,928.51	\$ 277,495.94	\$ 50,628.22	\$ 33,460.85	\$ 157,556.73	\$ 310,956.79	\$ 22,504.90	\$ 23,709.21
Long-term liabilities	<u>640,975.89</u>	<u>631,969.90</u>	<u>4,844,701.54</u>	<u>4,923,008.66</u>	<u>5,485,677.43</u>	<u>5,554,978.56</u>	<u>40,917.72</u>	<u>61,922.62</u>
Total Liabilities	<u>747,904.40</u>	<u>909,465.84</u>	<u>4,895,329.76</u>	<u>4,956,469.51</u>	<u>5,643,234.16</u>	<u>5,865,935.35</u>	<u>63,422.62</u>	<u>85,631.83</u>
<b>Net Position</b>								
Net investment								
in capital assets	3,720,656.86	3,451,619.72	4,239,466.85	4,446,416.01	7,960,123.71	7,898,035.73	1,680,976.04	1,685,701.90
Assigned	<u>175,134.76</u>	<u>186,142.33</u>	<u>-</u>	<u>-</u>	<u>175,134.76</u>	<u>186,142.33</u>	<u>-</u>	<u>-</u>
Unassigned	<u>369,576.28</u>	<u>487,160.12</u>	<u>660,705.69</u>	<u>643,250.03</u>	<u>1,030,281.97</u>	<u>1,130,410.15</u>	<u>57,762.01</u>	<u>47,729.50</u>
Total Net Position	<u>4,265,367.90</u>	<u>4,124,922.17</u>	<u>4,900,172.54</u>	<u>5,089,666.04</u>	<u>9,165,540.44</u>	<u>9,214,588.21</u>	<u>1,738,738.05</u>	<u>1,733,431.40</u>
Total Liabilities								
and Net Position	<u>\$ 5,013,272.30</u>	<u>\$ 5,034,388.01</u>	<u>\$ 9,795,502.30</u>	<u>\$ 10,046,135.55</u>	<u>\$ 14,808,774.60</u>	<u>\$ 15,080,523.56</u>	<u>\$ 1,802,160.67</u>	<u>\$ 1,819,063.23</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 \$10,904,278.49 at June 30, 2014. The largest portion of the reporting entity's net position, \$9,641,099.75, 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:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>								
<b>Program Revenues</b>								
Charges for services	\$ 165,198.77	\$ 185,772.45	\$ 1,102,100.79	\$ 2,064,769.90	\$ 1,267,299.56	\$ 2,250,542.35	\$ -	\$ -
Operating grants and contributions	220,654.38	552,765.75	-	-	220,654.38	552,765.75	-	-
Capital grants and contributions	-	-	-	-	-	-	66,000.00	63,000.00
<b>General Revenues</b>								
General property taxes, real and personal	566,332.26	464,529.23	-	-	566,332.26	464,529.23	-	-
Other taxes	700,523.01	697,216.20	-	-	700,523.01	697,216.20	-	-
Categorical aid from state	12,347.79	-	-	-	12,347.79	-	-	-
Noncategorical aid from state	56,188.14	61,219.67	-	-	56,188.14	61,219.67	-	-
Use of property	22,685.78	37,437.00	-	-	22,685.78	37,437.00	-	-
Investment earnings	2,296.59	1,085.74	930.45	11,279.08	3,227.04	12,364.82	-	-
Miscellaneous	74,715.27	114,547.39	8,028.05	-	82,743.32	114,547.39	-	-
Total Revenues	1,820,941.99	2,114,573.43	1,111,059.29	2,076,048.98	2,932,001.28	4,190,622.41	66,000.00	63,000.00
<b>Expenses</b>								
General government administration	328,213.19	463,706.09	-	-	328,213.19	463,706.09	-	-
Public safety	630,075.84	640,959.60	-	-	630,075.84	640,959.60	-	-
Public works	516,681.09	523,176.39	-	-	516,681.09	523,176.39	-	-
Parks, recreation, and cultural	71,861.43	95,108.61	-	-	71,861.43	95,108.61	-	-
Community development	89,558.77	30,061.68	-	-	89,558.77	30,061.68	60,693.35	85,356.38
Water and sewer	-	-	1,107,072.44	940,772.42	1,107,072.44	940,772.42	-	-
Interest on long-term debt	29,105.94	27,997.61	208,480.35	155,167.19	237,586.29	183,164.80	-	-
Total Expenses	1,665,496.26	1,781,009.98	1,315,552.79	1,095,939.61	2,981,049.05	2,876,949.59	60,693.35	85,356.38
Increase (Decrease) in Net Position before transfers	155,445.73	333,563.45	(204,493.50)	980,109.37	(49,047.77)	1,313,672.82	5,306.65	(22,356.38)
Transfers	(15,000.00)	-	15,000.00	-	-	-	-	-
Increase (Decrease) in Net Position	140,445.73	333,563.45	(189,493.50)	980,109.37	(49,047.77)	1,313,672.82	5,306.65	(22,356.38)
Prior Period Adjustment	-	21,590.65	-	-	-	21,590.65	-	-
Beginning 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
Ending Net Position	\$ 4,265,367.90	\$ 4,124,922.17	\$ 4,900,172.54	\$ 5,089,666.04	\$ 9,165,540.44	\$ 9,214,588.21	\$ 1,738,738.05	\$ 1,733,431.40

Governmental activities increased the Town's net position by \$140,445.73 for fiscal year 2014. Revenues from governmental activities totaled \$1,820,941.99. Taxes comprise the largest source of these revenues, totaling \$1,266,855.27 or 69.57 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,665,496.26. Public safety was the Town's largest program with expenses totaling \$630,075.84. Public works, which totals \$516,681.09, represents the second largest expense.

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, 2014 and 2013

	<u>2014</u>		<u>2013</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	\$ 328,213.19	\$ (328,213.19)	\$ 463,706.09	\$ (463,706.09)
Public safety	630,075.84	(566,517.04)	640,959.60	(553,180.79)
Public works	516,681.09	(365,449.89)	523,176.39	(376,220.82)
Parks, recreation, and cultural	71,861.43	(66,861.43)	95,108.61	(90,108.61)
Community development	89,558.77	76,504.38	30,061.68	468,742.14
Interest on long-term debt	<u>29,105.94</u>	<u>(29,105.94)</u>	<u>27,997.61</u>	<u>(27,997.61)</u>
Total	<u>\$ 1,665,496.26</u>	<u>\$ (1,279,643.11)</u>	<u>\$ 1,781,009.98</u>	<u>\$ (1,042,471.78)</u>

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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 \$337,342.52. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- The General Fund contributed \$15,000.00 in operating funds to finance the Sewer Fund operations.

Special Revenue Funds have a total assigned fund balance of \$175,134.76, which applies to amounts that are intended for specific purposes but do not meet the criteria to be classified as restricted or committed.

### 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, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 502,413.49	\$ 540,258.49	\$ 556,948.94	\$ 450,250.00	\$ 450,250.00	\$ 463,269.44
Other	685,100.00	694,475.00	700,523.01	661,100.00	661,100.00	697,216.20
Permits, privilege fees, and regulatory licenses	1,000.00	1,000.00	650.00	500.00	500.00	1,400.00
Fines and forfeitures	40,975.00	40,975.00	13,967.57	36,500.00	36,500.00	37,416.88
Revenue from use of money and property	27,526.00	27,526.00	24,976.74	30,800.00	30,800.00	38,510.89
Charges for services	153,330.00	153,330.00	151,231.20	153,430.00	153,430.00	146,955.57
Miscellaneous	13,420.00	15,340.00	70,545.07	16,000.00	85,995.00	110,334.39
Intergovernmental	<u>97,773.00</u>	<u>498,623.03</u>	<u>288,514.74</u>	<u>97,473.00</u>	<u>97,473.00</u>	<u>613,627.59</u>
Total Revenues	1,521,537.49	1,971,527.52	1,807,357.27	1,446,053.00	1,516,048.00	2,108,730.96
<b>Expenditures</b>	<u>1,548,617.60</u>	<u>2,037,009.63</u>	<u>1,919,324.43</u>	<u>1,369,641.00</u>	<u>1,508,186.00</u>	<u>2,374,317.02</u>
Excess (Deficiency) of Revenues over Expenditures	(27,080.11)	(65,482.11)	(111,967.16)	76,412.00	7,862.00	(265,586.06)
<b>Other Financing Sources (Uses)</b>						
Contingency/surplus	42,580.11	76,482.11	-	(36,412.00)	32,138.00	-
Proceeds from loans	-	-	-	-	-	132,084.81
Transfers out	<u>(15,500.00)</u>	<u>(11,000.00)</u>	<u>(15,000.00)</u>	<u>(40,000.00)</u>	<u>(40,000.00)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>27,080.11</u>	<u>65,482.11</u>	<u>(15,000.00)</u>	<u>(76,412.00)</u>	<u>(7,862.00)</u>	<u>132,084.81</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (126,967.16)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (133,501.25)</u>

Final amended budget revenues were more than the original budget by \$449,990.03.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$488,392.03.

Actual revenues were less than final budget amounts by \$164,170.25, or 8.33 percent, while actual expenditures were \$117,685.20, or 5.78 percent less than final budget amounts.

Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2014, include the following:

- Actual revenues from the Commonwealth of Virginia and Federal Government were under budget by \$74,494.21 and \$135,770.65, respectively, while actual miscellaneous revenues were over budget by \$55,205.07. These differences account for \$155,059.79 or 94.45 percent of the total actual revenues under budget.
- Public safety and community development expenditures came in under budget by \$41,997.96 and \$62,694.83, respectively. These differences account for \$104,692.79 or 88.96 percent of the total expenditures under budget.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2014, the Town's governmental activities net investment in capital assets, which is net capital assets less related debt totals \$3,720,656.86 and \$4,239,466.85 for business-type activities.

During fiscal year 2014, the Town's net capital assets (including additions, decreases, and depreciation) increased \$193,279.63, or 4.64 percent, for governmental activities; decreased \$285,256.28, or 3.04 percent, for business-type activities; and decreased \$24,935.07, or 1.41 percent, for the Component Unit EDA, as summarized in the following table:

### Change in Capital Assets

#### Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 1,089,608.55	\$ -	\$ 1,089,608.55
Buildings and improvements	4,361,460.13	424,872.38	4,786,332.51
Furniture, equipment, and vehicles	1,952,844.34	10,563.00	1,963,407.34
Total Capital Assets	7,403,913.02	435,435.38	7,839,348.40
Less: Accumulated depreciation and amortization	(3,235,559.90)	(242,155.75)	(3,477,715.65)
Total Capital Assets, Net	<u>\$ 4,168,353.12</u>	<u>\$ 193,279.63</u>	<u>\$ 4,361,632.75</u>

#### Business-Type Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 3,169,506.24	\$ -	\$ 3,169,506.24
Buildings and systems	11,196,455.12	75,500.00	11,271,955.12
Furniture, equipment, and vehicles	328,644.00	-	328,644.00
Total Capital Assets	14,694,605.36	75,500.00	14,770,105.36
Less: Accumulated depreciation and amortization	(5,325,180.69)	(360,756.28)	(5,685,936.97)
Total Capital Assets, Net	<u>\$ 9,369,424.67</u>	<u>\$ (285,256.28)</u>	<u>\$ 9,084,168.39</u>

#### Component Unit - EDA of the Town of Clarksville, VA

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 1,097,747.42	\$ 5,000.00	\$ 1,102,747.42
Buildings and systems	965,887.30	-	965,887.30
Total Capital Assets	2,063,634.72	5,000.00	2,068,634.72
Less: Accumulated depreciation and amortization	(295,800.99)	(29,935.07)	(325,736.06)
Total Capital Assets, Net	<u>\$ 1,767,833.73</u>	<u>\$ (24,935.07)</u>	<u>\$ 1,742,898.66</u>

## Long-Term Debt

As of June 30, 2014, the Town's long-term obligations, excluding the Component Unit, total \$5,485,677.43.

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities</b>			
General Fund	\$ 716,733.40	\$ (75,757.51)	\$ 640,975.89
Total Governmental Activities	716,733.40	(75,757.51)	640,975.89
<b>Business-Type Activities</b>			
Water Fund	2,797,415.52	(47,007.53)	2,750,407.99
Sewer Fund	2,125,593.14	(31,299.59)	2,094,293.55
Total Business-Type Activities	4,923,008.66	(78,307.12)	4,844,701.54
Total Primary Government	5,639,742.06	(154,064.63)	5,485,677.43
Total Reporting Entity	<u>\$ 5,639,742.06</u>	<u>\$ (154,064.63)</u>	<u>\$ 5,485,677.43</u>

More detailed information on the Town's long-term obligations is presented in Note 8 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 2014 was 9.0 percent. This compares unfavorably to the state's rate of 5.4 percent and the national rate of 6.3 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 2015 adopted budget anticipates General Fund revenues of \$1,607,613.13, a 5.66% increase, and expenditures of \$1,548,637.17 less than a 0.01% increase over the fiscal year 2014 budget.

## 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](http://www.clarksvilleva.org).

# **BASIC FINANCIAL STATEMENTS**

# Town of Clarksville, Virginia

## Statement of Net Position

At June 30, 2014

	<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>
<b>Assets</b>				
Cash and cash equivalents	\$ 556,775.62	\$ 523,897.00	\$ 1,080,672.62	\$ 58,605.60
Receivables - net	62,630.17	173,141.54	235,771.71	-
Property taxes receivable - net	32,233.76	-	32,233.76	-
Due from other funds	-	14,295.37	14,295.37	-
Loan fees, net of amortization	-	-	-	656.41
<b>Capital Assets</b>				
Land and land improvements	1,089,608.55	58,473.00	1,148,081.55	1,102,747.42
Other capital assets, net of accumulated depreciation	<u>3,272,024.20</u>	<u>9,025,695.39</u>	<u>12,297,719.59</u>	<u>640,151.24</u>
Capital Assets, Net	<u>4,361,632.75</u>	<u>9,084,168.39</u>	<u>13,445,801.14</u>	<u>1,742,898.66</u>
 Total Assets	 <u>\$ 5,013,272.30</u>	 <u>\$ 9,795,502.30</u>	 <u>\$14,808,774.60</u>	 <u>\$ 1,802,160.67</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 92,633.14	\$ 33,300.72	\$ 125,933.86	\$ 1,500.00
Customer deposits	-	17,327.50	17,327.50	-
Due to other funds	14,295.37	-	14,295.37	-
<b>Long-Term Liabilities</b>				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	68,359.40	172,807.40	241,166.80	21,004.90
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	<u>572,616.49</u>	<u>4,671,894.14</u>	<u>5,244,510.63</u>	<u>40,917.72</u>
 Total Liabilities	 747,904.40	 4,895,329.76	 5,643,234.16	 63,422.62
<b>Net Position</b>				
Net investment in capital assets	3,720,656.86	4,239,466.85	7,960,123.71	1,680,976.04
Assigned	175,134.76	-	175,134.76	-
Unassigned	<u>369,576.28</u>	<u>660,705.69</u>	<u>1,030,281.97</u>	<u>57,762.01</u>
 Total Net Position	 <u>4,265,367.90</u>	 <u>4,900,172.54</u>	 <u>9,165,540.44</u>	 <u>1,738,738.05</u>
 Total Liabilities and Net Position	 <u>\$ 5,013,272.30</u>	 <u>\$ 9,795,502.30</u>	 <u>\$14,808,774.60</u>	 <u>\$ 1,802,160.67</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit EDA of the Town of Clarksville, VA
		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	\$ 328,213.19	\$ -	\$ -	\$ -	\$ (328,213.19)	\$ -	\$ (328,213.19)	\$ -
Public safety	630,075.84	13,967.57	49,591.23	-	(566,517.04)	-	(566,517.04)	-
Public works	516,681.09	151,231.20	-	-	(365,449.89)	-	(365,449.89)	-
Parks, recreation, and cultural	71,861.43	-	5,000.00	-	(66,861.43)	-	(66,861.43)	-
Community development	89,558.77	-	166,063.15	-	76,504.38	-	76,504.38	-
Interest on long-term debt	29,105.94	-	-	-	(29,105.94)	-	(29,105.94)	-
Total Governmental Activities	1,665,496.26	165,198.77	220,654.38	-	(1,279,643.11)	-	(1,279,643.11)	-
Business-Type Activities								
Water	589,352.80	550,038.72	-	-	-	(39,314.08)	(39,314.08)	-
Sewer	726,199.99	552,062.07	-	-	-	(174,137.92)	(174,137.92)	-
Total Business-Type Activities	1,315,552.79	1,102,100.79	-	-	-	(213,452.00)	(213,452.00)	-
Total Primary Government	\$ 2,981,049.05	\$ 1,267,299.56	\$ 220,654.38	\$ -	(1,279,643.11)	(213,452.00)	(1,493,095.11)	-
Component Unit								
EDA of the Town of Clarksville, VA	\$ 60,693.35	\$ -	\$ -	\$ -				(60,693.35)
General Revenues								
Taxes								
General property taxes, real and personal					566,332.26	-	566,332.26	-
Other local taxes					700,523.01	-	700,523.01	-
Categorical aid from state					12,347.79	-	12,347.79	-
Noncategorical aid from state					56,188.14	-	56,188.14	-
Use of property					22,685.78	-	22,685.78	-
Investment earnings					2,296.59	930.45	3,227.04	-
Miscellaneous					74,715.27	8,028.05	82,743.32	66,000.00
Transfers					(15,000.00)	15,000.00	-	-
Total General Revenues and Transfers					1,420,088.84	23,958.50	1,444,047.34	66,000.00
Change in Net Position					140,445.73	(189,493.50)	(49,047.77)	5,306.65
Net Position - Beginning of Year					4,124,922.17	5,089,666.04	9,214,588.21	1,733,431.40
Net Position - End of Year					\$ 4,265,367.90	\$ 4,900,172.54	\$ 9,165,540.44	\$ 1,738,738.05

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

**Town of Clarksville, Virginia**

Balance Sheet

Governmental Funds

At June 30, 2014

	<b><u>General Fund</u></b>	<b><u>Other Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$381,640.86	\$ 175,134.76	\$ 556,775.62
Property taxes receivable, net	32,233.76	-	32,233.76
Accounts receivable	47,450.17	-	47,450.17
Due from CDBG	<u>15,180.00</u>	<u>-</u>	<u>15,180.00</u>
Total Assets	<u>\$476,504.79</u>	<u>\$ 175,134.76</u>	<u>\$ 651,639.55</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 92,633.14	\$ -	\$ 92,633.14
Due to other funds	<u>14,295.37</u>	<u>-</u>	<u>14,295.37</u>
Total Liabilities	106,928.51	-	106,928.51
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<u>32,233.76</u>	<u>-</u>	<u>32,233.76</u>
Total Deferred Inflows of Resources	32,233.76	-	32,233.76
<b>Fund Balance</b>			
Assigned	-	175,134.76	175,134.76
Unassigned	<u>337,342.52</u>	<u>-</u>	<u>337,342.52</u>
Total Fund Balance	<u>337,342.52</u>	<u>175,134.76</u>	<u>512,477.28</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$476,504.79</u>	<u>\$ 175,134.76</u>	<u>\$ 651,639.55</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, 2014

Total Fund Balances for Governmental Funds		\$ 512,477.28
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	3,021,002.26	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>251,021.94</u>	
Total Capital Assets		4,361,632.75
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue		32,233.76
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>(640,975.89)</u>	
Total		<u>(640,975.89)</u>
Total Net Position of Governmental Activities		<u>\$4,265,367.90</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, 2014

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 556,948.94	\$ -	\$ 556,948.94
Other local taxes	700,523.01	-	700,523.01
Permits, privilege fees, and regulatory licenses	650.00	-	650.00
Fines and forfeitures	13,967.57	-	13,967.57
Use of money and property	24,976.74	5.63	24,982.37
Charges for services	151,231.20	-	151,231.20
Miscellaneous	70,545.07	3,520.20	74,065.27
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	117,925.36	675.57	118,600.93
Revenue from the Federal Government	<u>170,589.38</u>	<u>-</u>	<u>170,589.38</u>
Total Revenues	1,807,357.27	4,201.40	1,811,558.67
<b>Expenditures</b>			
<b>Current</b>			
General government administration	272,732.14	-	272,732.14
Public safety	531,744.18	-	531,744.18
Public works	487,342.73	-	487,342.73
Parks, recreation, and cultural	54,812.96	15,208.97	70,021.93
Community development	467,828.97	-	467,828.97
Debt service	<u>104,863.45</u>	<u>-</u>	<u>104,863.45</u>
Total Expenditures	<u>1,919,324.43</u>	<u>15,208.97</u>	<u>1,934,533.40</u>
Excess (Deficiency) of Revenues Over Expenditures	(111,967.16)	(11,007.57)	(122,974.73)
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(15,000.00)</u>	<u>-</u>	<u>(15,000.00)</u>
Total Other Financing Sources (Uses)	<u>(15,000.00)</u>	<u>-</u>	<u>(15,000.00)</u>
Net Change in Fund Balance	(126,967.16)	(11,007.57)	(137,974.73)
Fund Balance - Beginning of Year	<u>464,309.68</u>	<u>186,142.33</u>	<u>650,452.01</u>
Fund Balance - End of Year	<u>\$ 337,342.52</u>	<u>\$ 175,134.76</u>	<u>\$ 512,477.28</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, 2014

Net Change in Fund Balances - Total Governmental Funds		\$ (137,974.73)
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.		193,279.63
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.		9,383.32
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	\$ 75,757.51	
Net Adjustment		<u>75,757.51</u>
Change in Net Position of Governmental Activities		<u>\$ 140,445.73</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, 2014

		<b>Business-Type Activities - Enterprise Funds</b>	
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 312,328.32	211,568.68	\$ 523,897.00
Receivables, net	74,786.12	98,355.42	173,141.54
Due from other funds	<u>14,295.37</u>	<u>-</u>	<u>14,295.37</u>
Total Current Assets	401,409.81	309,924.10	711,333.91
<b>Noncurrent Assets</b>			
Capital assets, net	<u>4,655,170.37</u>	<u>4,428,998.02</u>	<u>9,084,168.39</u>
Total Noncurrent Assets	<u>4,655,170.37</u>	<u>4,428,998.02</u>	<u>9,084,168.39</u>
Total Assets	<u>\$ 5,056,580.18</u>	<u>\$ 4,738,922.12</u>	<u>\$ 9,795,502.30</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ 16,148.59	17,152.13	\$ 33,300.72
Short-term portion of debt	<u>55,348.86</u>	<u>117,458.54</u>	<u>172,807.40</u>
Total Current Liabilities	71,497.45	134,610.67	206,108.12
<b>Noncurrent Liabilities</b>			
Long-term portion of debt	2,695,059.13	1,976,835.01	4,671,894.14
Customer deposits	<u>17,327.50</u>	<u>-</u>	<u>17,327.50</u>
Total Noncurrent Liabilities	<u>2,712,386.63</u>	<u>1,976,835.01</u>	<u>4,689,221.64</u>
Total Liabilities	2,783,884.08	2,111,445.68	4,895,329.76
<b>Net Position</b>			
Net investment in capital assets	1,904,762.38	2,334,704.47	4,239,466.85
Unrestricted	<u>367,933.72</u>	<u>292,771.97</u>	<u>660,705.69</u>
Total Net Position	<u>2,272,696.10</u>	<u>2,627,476.44</u>	<u>4,900,172.54</u>
Total Liabilities and Net Position	<u>\$ 5,056,580.18</u>	<u>\$ 4,738,922.12</u>	<u>\$ 9,795,502.30</u>

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

# Town of Clarksville, Virginia

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

### Proprietary Funds

Year Ended June 30, 2014

	<u>Water Fund</u>	<u>Business-Type Activities - Enterprise Funds Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services, net	\$ 528,575.02	\$ 552,062.07	\$ 1,080,637.09
Penalties	21,463.70	-	21,463.70
Miscellaneous	<u>1,498.49</u>	<u>4,252.16</u>	<u>5,750.65</u>
Total Operating Revenues	551,537.21	556,314.23	1,107,851.44
<b>Operating Expenses</b>			
Administration	60,861.64	57,308.92	118,170.56
Line maintenance	54,412.82	86,088.77	140,501.59
Water treatment	182,056.81	-	182,056.81
Waste water treatment	-	247,828.83	247,828.83
Lift stations	-	57,758.37	57,758.37
Depreciation	<u>177,541.00</u>	<u>183,215.28</u>	<u>360,756.28</u>
Total Operating Expenses	<u>474,872.27</u>	<u>632,200.17</u>	<u>1,107,072.44</u>
Operating Income (Loss)	76,664.94	(75,885.94)	779.00
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	925.78	4.67	930.45
Interest expense	(114,480.53)	(93,999.82)	(208,480.35)
Gain on sale of assets	<u>367.90</u>	<u>1,909.50</u>	<u>2,277.40</u>
Total Nonoperating Revenues (Expenses)	(113,186.85)	(92,085.65)	(205,272.50)
<b>Other Financing Sources (Uses)</b>			
Transfers	<u>(429,400.46)</u>	<u>444,400.46</u>	<u>15,000.00</u>
Total Other Financing Sources (Uses)	<u>(429,400.46)</u>	<u>444,400.46</u>	<u>15,000.00</u>
Change in Net Position	(465,922.37)	276,428.87	(189,493.50)
Total Net Position - Beginning of Year	5,089,666.04	-	5,089,666.04
Prior Period Adjustment - Reclassification of Funds	<u>(2,351,047.57)</u>	<u>2,351,047.57</u>	<u>-</u>
Total Net Position - End of Year	<u>\$ 2,272,696.10</u>	<u>\$ 2,627,476.44</u>	<u>\$ 4,900,172.54</u>

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, 2014

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 548,587.53	\$ 530,043.27	\$ 1,078,630.80
Other receipts	1,498.49	4,252.16	5,750.65
Payments to personnel and suppliers	<u>(297,316.03)</u>	<u>(431,832.76)</u>	<u>(729,148.79)</u>
Net Cash Provided by Operating Activities	252,769.99	102,462.67	355,232.66
<b>Cash Flows from Noncapital Financing Activities</b>			
Funds from (paid to) other funds	<u>(429,400.46)</u>	<u>444,400.46</u>	<u>15,000.00</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(429,400.46)	444,400.46	15,000.00
<b>Cash Flows from Capital and Related Financing Activities</b>			
Gain on sale of assets	367.90	1,909.50	2,277.40
Purchase of capital assets	-	(75,500.00)	(75,500.00)
Principal paid on capital debt	(47,007.53)	(111,279.59)	(158,287.12)
Proceeds from loans	-	79,980.00	79,980.00
Interest paid on capital debt	<u>(114,480.53)</u>	<u>(93,999.82)</u>	<u>(208,480.35)</u>
Net Cash Used in Capital and Related Financing Activities	(161,120.16)	(198,889.91)	(360,010.07)
<b>Cash Flows from Investing Activities</b>			
Interest income	<u>925.78</u>	<u>4.67</u>	<u>930.45</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(336,824.85)	347,977.89	11,153.04
Cash and Cash Equivalents - Beginning of Year	237,398.22	275,345.74	512,743.96
Reclassification of Funds Adjustment	<u>411,754.95</u>	<u>(411,754.95)</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 312,328.32</u>	<u>\$ 211,568.68</u>	<u>\$ 523,897.00</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ 76,664.94	\$ (75,885.94)	\$ 779.00
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation expense	177,541.00	183,215.28	360,756.28
Changes in assets and liabilities			
Increase (decrease) in receivables, net	(1,451.19)	(22,018.80)	(23,469.99)
Increase (decrease) in accounts payable and accrued expenses	<u>15.24</u>	<u>17,152.13</u>	<u>17,167.37</u>
Net Cash Provided by Operating Activities	<u>\$ 252,769.99</u>	<u>\$ 102,462.67</u>	<u>\$ 355,232.66</u>

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



## Town of Clarksville, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2014

## 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 1,139 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 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 have been prepared in conformity with 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:

### **1-A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Clarksville, Virginia (the primary government) and its component unit. 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. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

### **Individual Component Unit Disclosures**

#### **Discretely Presented 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.

#### **1-B. Financial Reporting Model**

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and other supplementary information, described as follows:

***Management's Discussion and Analysis*** – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

***Government-wide Financial Statements*** – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town and its discretely presented component unit at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

**Reconciliation of Government-wide and Fund Financial Statements** – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

#### **1-C. Financial Statement Presentation**

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 following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's governmental funds:

**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.

**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 due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following: Police Asset Forfeiture, Veteran's Memorial, and the Cemetery Fund.

**Capital Projects Funds** – The Capital Projects Fund accounts 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.

**Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water Fund and Sewer Fund, which 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.

**Fiduciary Funds – (Agency Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds at this time.

**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.

**1-D. Measurement Focus and Basis of Accounting**

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, parks, recreation, and cultural, community development, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, public safety, public works, parks, recreation, and cultural, community development, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

**1-E-1 Cash and Cash Equivalents**

The Town operates a cash and investment pool which all funds utilize with the exception of the special revenue funds, each of which has separate bank accounts and investments. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

**1-E-2 Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

**1-E-3 Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There is no allowance amount at this time.

***Real and Personal Property Tax Data***

The tax calendars for real and personal property taxes are summarized below:

**Real Property   Personal Property**

Lewy	July 1	July 1
Due Date	February 1	February 1

The Town bills and collects its own property taxes.

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



#### **1-E-4 Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

#### **1-E-5 Capital Assets**

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of 5,000. The Town's infrastructure consists primarily of water and sewer systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Asset Description</u>	<u>Estimated Lives</u>
Plant, equipment, and system	35 to 50 years
Motor vehicles	5 to 10 years
Equipment	2 to 15 years

#### **1-E-6 Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30.

### **1-E-7 Retirement Plan**

Retirement plan contributions are actuarially determined for the Virginia Retirement System (VRS) and consist of current service costs and amortization of prior service cost over a 30-year period. The Town's policy is to fund pension cost at the actuarially determined rates.

### **1-E-8 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

**Governmental Fund Balances** – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

### **1-E-9 Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.



### **1-E-10 Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

### **1-E-11 Long-Term Obligations**

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. 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.

### **1-E-12 Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **2 Stewardship, Compliance, and Accountability**

### **Budgets and Budgetary Accounting**

The Town Council annually adopts budgets for the various funds of the primary government and Component Unit EDA. All appropriations are legally controlled at the department level for the primary Government Funds. The EDA appropriation is determined by the Town Council and controlled in total by the primary government. Unexpended appropriations 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 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.
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. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component unit.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

### **Fund Deficits**

No funds had fund deficits.

## **3 Deposits and Investments**

### *Deposits*

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

### *Investments*

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

The Town does not have a formal investment policy addressing the various types of risks associated with investments.

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 of U. S. Government Securities. Debt obligations explicitly sponsored by the U. S. Government are not considered to have a credit risk.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Petty cash	\$ 175.00	
Deposit accounts	1,040,388.98	
<b>Investments</b>		
SunTrust	<u>98,714.24</u>	<u>\$98,714.24</u>
Total Cash and Investments	<u>\$ 1,139,278.22</u>	

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>			
Cash and cash equivalents	\$ 556,775.62	\$ 523,897.00	\$ 1,080,672.62
Total	556,775.62	523,897.00	1,080,672.62
<b>Component Unit</b>			
<b>EDA of the Town of Clarksville, VA</b>			
Cash and cash equivalents	58,605.60	-	58,605.60
Grand Total	<u>\$ 615,381.22</u>	<u>\$ 523,897.00</u>	<u>\$ 1,139,278.22</u>

#### 4 Receivables

Receivables at June 30, 2014 consist of the following:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Property taxes	\$ 32,233.76	\$ -	\$ 32,233.76	\$ -	\$ -	\$ -
Water and sewer	-	-	-	74,786.12	98,355.42	173,141.54
Garbage receivables	22,762.30	-	22,762.30	-	-	-
Other misc. receivables	24,687.87	-	24,687.87	-	-	-
Total Receivables	<u>\$ 79,683.93</u>	<u>\$ -</u>	<u>\$ 79,683.93</u>	<u>\$ 74,786.12</u>	<u>\$ 98,355.42</u>	<u>\$ 173,141.54</u>

#### 5 Interfund Transfers

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

<b>Primary Government</b>	<u>Transfer to</u>	<u>Transfer from</u>
<b>Water Fund</b>		
To Sewer Fund	444,400.46	-
Total Water Fund	444,400.46	-
<b>Sewer Fund</b>		
From Water Fund	-	(429,400.46)
From General Fund	-	(15,000.00)
Total Water Fund	-	(444,400.46)
Total Transfers	<u>\$ 444,400.46</u>	<u>\$ (444,400.46)</u>

#### 6 Due to/From Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2014 are as follows:

<b>Primary Government</b>	<u>Due From</u>	<u>Due To</u>
<b>General Fund</b>		
To Water Fund	\$ -	\$ 14,295.37
<b>Water Fund</b>		
From General Fund	14,295.37	-
Total Transfers	<u>\$ 14,295.37</u>	<u>\$ 14,295.37</u>

## 7 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,089,608.55	\$ -	\$ -	\$ 1,089,608.55
Total Capital Assets Not Being Depreciated	1,089,608.55	-	-	1,089,608.55
<b>Other Capital Assets</b>				
Buildings and improvements	4,361,460.13	424,872.38	-	4,786,332.51
Furniture, equipment, and vehicles	1,952,844.34	10,563.00	-	1,963,407.34
Total Other Capital Assets	6,314,304.47	435,435.38	-	6,749,739.85
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	1,659,269.86	106,060.39	-	1,765,330.25
Furniture, equipment, and vehicles	1,576,290.04	136,095.36	-	1,712,385.40
Total Accumulated Depreciation	3,235,559.90	242,155.75	-	3,477,715.65
Other Capital Assets, Net	3,078,744.57	193,279.63	-	3,272,024.20
Net Capital Assets	\$ 4,168,353.12	\$ 193,279.63	\$ -	\$ 4,361,632.75

Depreciation expense was allocated as follows:

General government administration	\$ 55,481.05
Public safety	98,331.66
Public works	39,901.36
Parks, recreation, and cultural	1,839.50
Community development	46,602.18
Total Depreciation Expense	\$ 242,155.75

**Business-Type Activities**

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 58,473.00	\$ -	\$ -	\$ 58,473.00
Construction in progress	<u>3,111,033.24</u>	<u>-</u>	<u>3,111,033.24</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	3,169,506.24	-	3,111,033.24	58,473.00
<b>Other Capital Assets</b>				
Buildings and systems	11,196,455.12	3,186,533.24	-	14,382,988.36
Furniture, equipment, and vehicles	<u>328,644.00</u>	<u>-</u>	<u>-</u>	<u>328,644.00</u>
Total Other Capital Assets	11,525,099.12	3,186,533.24	-	14,711,632.36
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	5,035,143.53	351,909.06	-	5,387,052.59
Furniture, equipment, and vehicles	<u>290,037.16</u>	<u>8,847.22</u>	<u>-</u>	<u>298,884.38</u>
Total Accumulated Depreciation	<u>5,325,180.69</u>	<u>360,756.28</u>	<u>-</u>	<u>5,685,936.97</u>
Other Capital Assets, Net	<u>6,199,918.43</u>	<u>2,825,776.96</u>	<u>-</u>	<u>9,025,695.39</u>
Net Capital Assets	<u>\$ 9,369,424.67</u>	<u>\$ 2,825,776.96</u>	<u>\$ 3,111,033.24</u>	<u>\$ 9,084,168.39</u>

Depreciation expense was allocated as follows:

Water Fund	\$ 177,541.00
Sewer Fund	<u>183,215.28</u>
Total Depreciation Expense	<u>\$ 360,756.28</u>

**Component Unit - EDA of the Town of  
Clarksville, VA**

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,097,747.42	\$ 5,000.00	\$ -	<b>\$ 1,102,747.42</b>
Total Capital Assets Not Being Depreciated	1,097,747.42	5,000.00	-	<b>1,102,747.42</b>
<b>Other Capital Assets</b>				
Buildings and systems	965,887.30	-	-	<b>965,887.30</b>
Total Other Capital Assets	965,887.30	-	-	<b>965,887.30</b>
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	295,800.99	29,935.07	-	<b>325,736.06</b>
Total Accumulated Depreciation	295,800.99	29,935.07	-	<b>325,736.06</b>
Other Capital Assets, Net	670,086.31	(29,935.07)	-	<b>640,151.24</b>
Net Capital Assets	<u>\$ 1,767,833.73</u>	<u>\$ (24,935.07)</u>	<u>\$ -</u>	<u><b>\$ 1,742,898.66</b></u>

## 8 Long-Term Debt

### PRIMARY GOVERNMENT

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

<b>Year(s) Ended June 30,</b>	<b>Governmental Activities General Bonds Payable</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 68,359.40	\$ 22,299.78	\$ 172,807.40	\$ 195,452.46
2016	59,790.63	19,912.04	172,128.17	188,793.94
2017	60,105.61	18,787.86	177,064.86	181,980.56
2018	34,085.74	15,594.26	174,148.31	174,611.88
2019	35,476.85	14,203.15	187,439.79	166,576.65
2020-2024	155,675.51	49,440.29	1,023,856.39	695,999.24
2025-2029	120,110.00	20,890.00	876,779.36	487,149.33
2030-2034	107,372.15	565.00	951,943.66	298,484.04
2035-2039	-	-	652,912.70	154,527.60
2040-2044	-	-	455,620.90	42,957.66
Total	<u>\$ 640,975.89</u>	<u>\$ 161,692.38</u>	<u>\$ 4,844,701.54</u>	<u>\$2,586,533.36</u>

### Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
\$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.	\$ 406,116.11	\$ -	\$ 9,104.96	\$ 397,011.15	\$ 13,570.00
\$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.	11,768.44	-	6,599.33	5,169.11	5,169.11
\$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.	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.	604.86	-	604.86	-	-
\$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.	15,981.59	-	6,951.01	9,030.58	7,233.33
\$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.	166,280.78	-	16,115.21	150,165.57	16,668.28
\$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.	104,536.60	-	24,937.12	79,599.48	25,718.68
Total Governmental Activities	716,733.40	-	75,757.51	640,975.89	68,359.40

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities</b>					
<b>Water Fund</b>					
\$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.	2,279,917.57	-	35,780.84	2,244,136.73	43,782.84
\$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.	517,497.95	-	11,226.69	506,271.26	11,566.02
Total Water Fund	2,797,415.52	-	47,007.53	2,750,407.99	55,348.86
<b>Sewer Fund</b>					
\$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.	22,534.90	-	5,285.44	17,249.46	5,511.13
\$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.	119,439.37	-	11,822.34	107,617.03	12,360.35
\$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.	18,618.87	-	7,486.92	11,131.95	7,778.74
\$2,760,000.00 Virginia Revolving Loan Fund, 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.	1,965,000.00	-	80,000.00	1,885,000.00	85,000.00
\$79,980.00 General Obligation Bond Series 2013 with Carter Bank & Trust dated July 31, 2013. Payable in monthly installments of \$735.96 which includes interest at the rate of 2.00 percent.	-	79,980.00	6,684.89	73,295.11	6,808.32
Total Sewer Fund	2,125,593.14	79,980.00	111,279.59	2,094,293.55	117,458.54
Total Business-Type Activities	4,923,008.66	79,980.00	158,287.12	4,844,701.54	172,807.40
Total Primary Government	\$ 5,639,742.06	\$ 79,980.00	\$ 234,044.63	\$ 5,485,677.43	\$ 241,166.80



## 9 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2014 is determined as follows:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Component Unit EDA</b>
<b>Net Investment in Capital Assets</b>			
Cost of capital assets	\$ 7,839,348.40	\$ 14,770,105.36	\$ 2,068,634.72
Less: Accumulated depreciation	<u>(3,477,715.65)</u>	<u>(5,685,936.97)</u>	<u>(325,736.06)</u>
Book value	4,361,632.75	9,084,168.39	1,742,898.66
Less: Capital related debt	<u>(640,975.89)</u>	<u>(4,844,701.54)</u>	<u>(61,922.62)</u>
Net Investment in Capital Assets	<u>\$ 3,720,656.86</u>	<u>\$ 4,239,466.85</u>	<u>\$ 1,680,976.04</u>

## 10 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes are comprised of the following:

### Deferred Inflows of Resources

	<b>Primary Government - General Fund</b>
Delinquent taxes not collected within 60 days	<u>\$ 32,233.76</u>
Totals	<u>\$ 32,233.76</u>

## 11 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The Component Unit EDA carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 12 Commitments and Contingencies

If applicable, federal programs in which the Town and its discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

## 13 Litigation

At June 30, 2014, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

## 14 Legal Compliance

### *Computation of Legal Debt Margin*

Total Assessed Value of Taxed Real Estate	<u>\$ 147,885,400.00</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 14,788,540.00
Amount of Debt Applicable to Debt Limit General Obligation Debt	<u>640,975.89</u>
Legal Debt Margin	<u>\$ 14,147,564.11</u>

## 15 Surety Bond Information

The following are insured through the Virginia Municipal League in effect at June 30, 2014:

<b>United States Fidelity and Guaranty Company</b>	
Mayor	\$ 100,000.00
Treasurer	100,000.00
Town Manager	100,000.00
Assistant Town Manager	100,000.00

## 16 Pension Plan

### A. Plan Description

<b><i>Name of Plan:</i></b>	Virginia Retirement System (VRS)
<b><i>Identification of Plan:</i></b>	Agent and Cost-Sharing Multiple-Employer Pension Plan
<b><i>Administering Entity:</i></b>	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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

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

## **VRS PLAN 1**

### ***About VRS Plan 1***

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

### ***Eligible Members***

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

### ***Hybrid Opt-In Election***

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

## **VRS PLAN 2**

### ***About VRS Plan 2***

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

### ***Eligible Members***

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

### ***Hybrid Opt-In Election***

VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

## **HYBRID RETIREMENT PLAN**

### ***About the Hybrid Retirement Plan***

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

### ***Eligible Members***

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees\*
- School division employees
- Political subdivision employees\*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

### ***\*Non-Eligible Members***

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

**VRS  
PLAN 1**

**Retirement Contributions**

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Creditable Service**

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

**Vesting**

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

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

**VRS  
PLAN 2**

**Retirement Contributions**

Same as VRS Plan 1.

**Creditable Service**

Same as VRS Plan 1.

**Vesting**

Same as VRS Plan 1.

**HYBRID  
RETIREMENT PLAN**

**Retirement Contributions**

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

**Creditable Service**

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

**Vesting**

**Defined Benefit Component:**

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

**Defined Contribution Component:**

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

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

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

Distribution is not required by law until age 70 1/2.

**VRS  
PLAN 1**

***Calculating the Benefit***

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

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

***Average Final Compensation***

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

***Normal Retirement Age***

Age 65.

***Earliest Unreduced Retirement Eligibility***

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

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

***Earliest Reduced Retirement Eligibility***

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**VRS  
PLAN 2**

***Calculating the Benefit***

See definition under VRS Plan 1.

***Average Final Compensation***

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

***Normal Retirement Age***

Normal Social Security retirement age.

***Earliest Unreduced Retirement Eligibility***

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

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

***Earliest Reduced Retirement Eligibility***

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

**HYBRID  
RETIREMENT PLAN**

***Calculating the Benefit***

**Defined Benefit Component:**

See definition under VRS Plan 1.

**Defined Contribution Component:**

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

***Average Final Compensation***

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

***Service Retirement Multiplier***

The retirement multiplier is 1.0%.

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

***Normal Retirement Age***

**Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Unreduced Retirement Eligibility***

**Defined Benefit Component:**

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

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Reduced Retirement Eligibility***

**Defined Benefit Component:**

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

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**VRS  
PLAN 1**

**Cost-of-Living Adjustment (COLA) in Retirement**

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

**Eligibility:**

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

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

**Exceptions to COLA Effective Dates:**

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

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

**Disability Coverage**

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

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

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

**VRS  
PLAN 2**

**Cost-of-Living Adjustment (COLA) in Retirement**

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**Eligibility:**

Same as VRS Plan 1

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1

**Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it is earned, purchased, or granted.

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

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

**HYBRID  
RETIREMENT PLAN**

**Cost-of-Living Adjustment (COLA) in Retirement**

**Defined Benefit Component:**

Same as VRS Plan 2

**Defined Contribution Component:**

Not applicable

**Eligibility:**

Same as VRS Plan 1 and VRS Plan 2

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1 and VRS Plan 2

**Disability Coverage**

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

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

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

**VRS  
PLAN 1**

***Purchase of Prior Service***

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

**VRS  
PLAN 2**

***Purchase of Prior Service***

Same as VRS Plan 1

**HYBRID  
RETIREMENT PLAN**

***Purchase of Prior Service***

**Defined Benefit Component:**

Same as VRS Plan 1

**Defined Contribution Component:**

Not applicable



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

## B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was **7.90%** of annual covered payroll.

## C. Annual Pension Cost

For fiscal year 2014, Town's annual pension cost of **\$58,043.61** 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, 2012	\$ 42,470.46	100.0%	\$ -
June 30, 2013	52,303.73	100.0%	-
<b>June 30, 2014</b>	<b>58,043.61</b>	<b>100.0%</b>	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of **7.00%**, (b) projected salary increases ranging from **3.75% 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. Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

#### D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was **79.71%** funded. The actuarial accrued liability for benefits was **\$2,807,828.00**, and the actuarial value of assets was **\$2,238,194.00**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$569,634.00**. The covered payroll (annual payroll of active employees covered by the plan) was **\$737,425.00**, and ratio of the UAAL to the covered payroll was **77.25%**.

The schedule of funding progress, presented below, 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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
<b>June 30, 2013</b>	<b>2,238,194.00</b>	<b>2,807,828.00</b>	<b>569,634.00</b>	<b>79.71%</b>	<b>737,425.00</b>	<b>77.25%</b>

This information presented in the above 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, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Payroll Growth Rate	3.00%
	30 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Remaining Amortization Period	
Asset Valuation Method	Five-Year Smoothed Market
Actuarial Assumptions	
a. Investment Rate of Return*	7.00%
b. Projected Salary Increases*	
1) Non LEO Members	3.50% to 5.35%
2) LEO Members	3.50% to 4.75%
c. Cost-of-Living Adjustments	
1) Plan 1 Members	2.50%
2) Plan 2 Members	2.25%

\*Includes inflation of 2.5%

## 17 Fund Balances – Governmental Funds

As of June 30, 2014, fund balances are composed of the following:

<u>Fund</u>	<u>Designation</u>	<u>Amount</u>
Police Asset Forfeiture	Subsequent years' appropriations	\$ 5,633.59
Veteran's Memorial	Subsequent years' appropriations	6,788.10
Cemetery Fund	Subsequent years' appropriations	<u>162,713.07</u>
Total Primary Government		<u>\$ 175,134.76</u>

## 18 Implementation of GASB Statement No. 65

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. These statements required changes in account captions in the Statement of Net Position and Governmental Funds Balance Sheet.

## 19 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, 2014

**General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real property taxes	\$ 398,327.49	\$ 429,272.49	\$ 428,252.37	\$ (1,020.12)
Mobile home taxes	250.00	250.00	-	(250.00)
Personal property taxes	88,336.00	95,236.00	96,229.42	993.42
Public service corporation property taxes	13,000.00	13,000.00	16,440.57	3,440.57
Delinquent taxes	1,000.00	1,000.00	6,145.44	5,145.44
Interest on taxes	500.00	500.00	2,838.99	2,338.99
Penalties on taxes	1,000.00	1,000.00	7,042.15	6,042.15
Total General Property Taxes	502,413.49	540,258.49	556,948.94	16,690.45
<b>Other Local Taxes</b>				
Local sales and use taxes	80,000.00	80,000.00	39,093.07	(40,906.93)
Communication sales and use tax	34,000.00	34,000.00	35,072.21	1,072.21
Consumer utility tax	62,000.00	62,000.00	60,127.41	(1,872.59)
Business license taxes	85,100.00	85,100.00	89,688.47	4,588.47
Franchise taxes	3,000.00	3,000.00	3,575.01	575.01
Motor vehicle licenses	13,000.00	13,000.00	12,475.95	(524.05)
Bank franchise tax	54,000.00	54,000.00	60,121.00	6,121.00
Meals tax	280,000.00	289,375.00	321,726.53	32,351.53
Lodging tax	74,000.00	74,000.00	78,643.36	4,643.36
Total Other Local Taxes	685,100.00	694,475.00	700,523.01	6,048.01
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Other permits, licenses, and fees	1,000.00	1,000.00	650.00	(350.00)
Total Permits, Privilege Fees, and Regulatory Licenses	1,000.00	1,000.00	650.00	(350.00)
<b>Fines and Forfeitures</b>	40,975.00	40,975.00	13,967.57	(27,007.43)
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	600.00	600.00	2,290.96	1,690.96
Revenue from use of property	26,926.00	26,926.00	22,685.78	(4,240.22)
Total Revenue from Use of Money and Property	27,526.00	27,526.00	24,976.74	(2,549.26)
<b>Charges for Services</b>				
Sanitation and waste removal	153,230.00	153,230.00	150,332.45	(2,897.55)
Miscellaneous charges for services	100.00	100.00	898.75	798.75
Total Charges for Services	153,330.00	153,330.00	151,231.20	(2,098.80)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Miscellaneous</b>				
Miscellaneous	5,420.00	7,340.00	63,431.42	56,091.42
Community Center - Bingo	<u>8,000.00</u>	<u>8,000.00</u>	<u>7,113.65</u>	<u>(886.35)</u>
Total Miscellaneous	13,420.00	15,340.00	70,545.07	55,205.07
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
PPTRA Funds	54,356.00	54,356.00	54,356.36	0.36
Rolling stock taxes - motor vehicle carriers tax	<u>1,000.00</u>	<u>1,000.00</u>	<u>1,156.21</u>	<u>156.21</u>
Total Noncategorical Aid	55,356.00	55,356.00	55,512.57	156.57
<i>Categorical Aid</i>				
Virginia Commission for the Arts	5,000.00	5,000.00	5,000.00	-
Litter Control Grant	800.00	800.00	1,060.00	260.00
Local Law Enforcement Block Grant	-	-	4,229.00	4,229.00
Law Enforcement Assistance	28,617.00	28,617.00	30,836.00	2,219.00
Tea-21 Grant	-	94,490.00	11,287.79	(83,202.21)
Fire Department Grant	<u>8,000.00</u>	<u>8,000.00</u>	<u>10,000.00</u>	<u>2,000.00</u>
Total Categorical Aid	<u>42,417.00</u>	<u>136,907.00</u>	<u>62,412.79</u>	<u>(74,494.21)</u>
Total Revenue from the Commonwealth of Virginia	97,773.00	192,263.00	117,925.36	(74,337.64)
<b>Revenue from the Federal Government</b>				
DMV Selective Enforcement	-	4,526.23	4,526.23	-
Community Development Block Grant	<u>-</u>	<u>301,833.80</u>	<u>166,063.15</u>	<u>(135,770.65)</u>
Total Revenue from the Federal Government	<u>-</u>	<u>306,360.03</u>	<u>170,589.38</u>	<u>(135,770.65)</u>
Total Intergovernmental Revenue	<u>97,773.00</u>	<u>498,623.03</u>	<u>288,514.74</u>	<u>(210,108.29)</u>
Total Revenues	1,521,537.49	1,971,527.52	1,807,357.27	(164,170.25)
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Mayor and Council fees	4,780.00	4,780.00	3,905.00	875.00
Administrative	220,744.10	223,252.10	213,205.34	10,046.76
Treasurer	<u>55,462.18</u>	<u>55,462.18</u>	<u>55,621.80</u>	<u>(159.62)</u>
Total General Government Administration	280,986.28	283,494.28	272,732.14	10,762.14

	<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	500,638.56	509,863.79	504,325.81	5,537.98
Fire and rescue services	<u>24,950.00</u>	<u>24,950.00</u>	<u>27,418.37</u>	<u>(2,468.37)</u>
Total Public Safety	525,588.56	534,813.79	531,744.18	3,069.61
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	129,921.86	129,921.86	135,051.31	(5,129.45)
Sanitation	157,723.62	172,293.62	139,657.13	32,636.49
Maintenance of buildings and grounds	<u>220,705.21</u>	<u>227,125.21</u>	<u>212,634.29</u>	<u>14,490.92</u>
Total Public Works	508,350.69	529,340.69	487,342.73	41,997.96
<i>Parks, Recreation, and Cultural</i>				
Regional library	9,100.00	10,045.00	10,848.94	(803.94)
Parks and recreation	21,350.00	21,350.00	25,918.34	(4,568.34)
Cultural	<u>19,540.00</u>	<u>19,540.00</u>	<u>18,045.68</u>	<u>1,494.32</u>
Total Parks, Recreation, and Cultural	49,990.00	50,935.00	54,812.96	(3,877.96)
<i>Community Development</i>				
Planning and community development	<u>75,800.00</u>	<u>530,523.80</u>	<u>467,828.97</u>	<u>62,694.83</u>
Total Community Development	75,800.00	530,523.80	467,828.97	62,694.83
<i>Debt Service</i>	<u>107,902.07</u>	<u>107,902.07</u>	<u>104,863.45</u>	<u>3,038.62</u>
Total Expenditures	<u>1,548,617.60</u>	<u>2,037,009.63</u>	<u>1,919,324.43</u>	<u>117,685.20</u>
Excess (Deficiency) of Revenues Over Expenditures	(27,080.11)	(65,482.11)	(111,967.16)	(46,485.05)
<b>Other Financing Sources (Uses)</b>				
Contingency/surplus	42,580.11	76,482.11	-	(76,482.11)
Transfers out	<u>(15,500.00)</u>	<u>(11,000.00)</u>	<u>(15,000.00)</u>	<u>(4,000.00)</u>
Total Other Financing Sources (Uses)	<u>27,080.11</u>	<u>65,482.11</u>	<u>(15,000.00)</u>	<u>(80,482.11)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(126,967.16)	<u>\$ (126,967.16)</u>
Fund Balance - Beginning of Year			<u>464,309.68</u>	
Fund Balance - End of Year			<u>\$ 337,342.52</u>	

## **OTHER SUPPLEMENTARY INFORMATION**



## Town of Clarksville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2014

	<u>Special Revenue Funds</u>			<u>Total Other</u>
	<u>Police Asset</u>	<u>Veteran's</u>	<u>Cemetery</u>	<u>Governmental</u>
	<u>Forfeiture</u>	<u>Memorial</u>	<u>Fund</u>	<u>Funds</u>
<b>Assets</b>				
Cash and investments	\$ 5,633.59	\$ 6,788.10	\$ 162,713.07	\$ 175,134.76
Total Assets	<u>\$ 5,633.59</u>	<u>\$ 6,788.10</u>	<u>\$ 162,713.07</u>	<u>\$ 175,134.76</u>
<b>Liabilities</b>	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance</b>				
Assigned	<u>5,633.59</u>	<u>6,788.10</u>	<u>162,713.07</u>	<u>175,134.76</u>
Total Fund Balance	<u>5,633.59</u>	<u>6,788.10</u>	<u>162,713.07</u>	<u>175,134.76</u>
Total Liabilities and Fund Balance	<u>\$ 5,633.59</u>	<u>\$ 6,788.10</u>	<u>\$ 162,713.07</u>	<u>\$ 175,134.76</u>

# **Town of Clarksville, Virginia**

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

### Other Governmental Funds

At June 30, 2014

	<u>Special Revenue Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Police Asset Forfeiture</u>	<u>Veteran's Memorial</u>	<u>Cemetery Fund</u>	
<b>Revenues</b>				
Use of money and property	\$ -	\$ 2.53	\$ 3.10	\$ 5.63
Miscellaneous	-	974.00	2,546.20	3,520.20
<b>Intergovernmental</b>				
From the Commonwealth of Virginia	<u>675.57</u>	<u>-</u>	<u>-</u>	<u>675.57</u>
Total Revenues	675.57	976.53	2,549.30	4,201.40
<b>Expenditures</b>				
<b>Current</b>				
Parks, recreation, and cultural	<u>-</u>	<u>3,295.97</u>	<u>11,913.00</u>	<u>15,208.97</u>
Total Expenditures	<u>-</u>	<u>3,295.97</u>	<u>11,913.00</u>	<u>15,208.97</u>
Excess (Deficiency) of Revenues Over Expenditures	675.57	(2,319.44)	(9,363.70)	(11,007.57)
<b>Other Financing Sources (Uses)</b>				
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	675.57	(2,319.44)	(9,363.70)	(11,007.57)
Fund Balance - Beginning of Year	<u>4,958.02</u>	<u>9,107.54</u>	<u>172,076.77</u>	<u>186,142.33</u>
Fund Balance - End of Year	<u>\$ 5,633.59</u>	<u>\$ 6,788.10</u>	<u>\$ 162,713.07</u>	<u>\$ 175,134.76</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, 2014

### **Assets**

#### **Current Assets**

Cash	\$ 58,605.60
Total Current Assets	58,605.60

#### **Capital Assets**

Land	438,853.41
Land improvements	663,894.01
Buildings	949,735.20
Equipment	16,152.10
Less: Accumulated depreciation	<u>(325,736.06)</u>
Net Capital Assets	1,742,898.66

#### **Other Assets**

Loan fees	2,104.38
Amortization of loan fees	<u>(1,447.97)</u>
Total Other Assets	<u>656.41</u>

Total Assets	<u><u>\$ 1,802,160.67</u></u>
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### **Liabilities and Net Position**

#### **Liabilities**

##### **Current Liabilities**

Accounts payable	\$ 1,500.00
Prepaid rents	-
Notes payable - current portion	<u>21,004.90</u>
Total Current Liabilities	22,504.90

##### **Long-Term Liabilities**

Note payable - less current portion	<u>40,917.72</u>
Total Liabilities	63,422.62

#### **Net Position**

Net investment in capital assets	1,680,976.04
Unrestricted	<u>57,762.01</u>
Total Net Position	<u><u>1,738,738.05</u></u>

Total Liabilities and Net Position	<u><u>\$ 1,802,160.67</u></u>
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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 Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2014

**Operating Revenues**

Rental income	\$ 66,000.00
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Total Operating Revenues	66,000.00
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**Operating Expenses**

Contributions - business development	-
Marketing consultant	18,000.00
Depreciation	29,935.07
Professional fees	3,143.50
Advertising	5,489.50
Insurance	181.00
Meeting expense	454.71
Miscellaneous	<u>431.85</u>

Total Operating Expenses	<u>57,635.63</u>
--------------------------	------------------

Net Operating Income	8,364.37
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**Non-Operating Revenues**

-

**Non-Operating Expenses**

Interest	2,917.43
Amortization of loan fees	<u>140.29</u>

Total Non-Operating Expenses	<u>3,057.72</u>
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Net Non-Operating Losses	<u>(3,057.72)</u>
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Change in Net Position	5,306.65
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Net Position - Beginning of Year	<u>1,733,431.40</u>
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Net Position - End of Year	<u><u>\$1,738,738.05</u></u>
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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, 2014

### **Cash Flows from Operating Activities**

Rents	\$ 64,000.00
Payment to suppliers	(27,700.56)
Contributions	<u>-</u>

Net Cash Provided by Operating Activities 36,299.44

### **Cash Flows from Financing Activities**

Interest and fee expense	(2,917.43)
Principal payments on loans	<u>(20,209.21)</u>

Net Cash Used in Financing Activities (23,126.64)

### **Cash Flows from Investing Activities**

Purchase of capital assets	<u>(5,000.00)</u>
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Net Cash Used in Investing Activities (5,000.00)

Increase in Cash and Cash Equivalents 8,172.80

Cash and Cash Equivalents - Beginning of Year 50,432.80

Cash and Cash Equivalents - End of Year \$ 58,605.60

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

Operating income	\$ 8,364.37
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	29,935.07
(Increase) Decrease in accounts receivable	-
Decrease in accrued interest payable	-
Increase (Decrease) in prepaid rents	<u>(2,000.00)</u>

Net Cash Provided by Operating Activities \$ 36,299.44

## **COMPLIANCE SECTION**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA  
Nadia A. Rogers, CPA*

*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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2014, 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 April 11, 2015.

**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.*

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

South Hill, Virginia  
April 11, 2015