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TOWN OF CLINTWOOD, VIRGINIA
AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2023

TOWN OF CLINTWOOD, VIRGINIA
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Year Ended June 30, 2023

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**TOWN OF CLINTWOOD, VIRGINIA
TOWN OFFICIALS**

MAYOR:

Danny Lambert

TOWN COUNCIL:

Ronald Kendrick
Shelly Mullins
Doris Rife
Talbert Bolling
James Childress

PLANNING COMMISSION:

T.J. Fryatt- Chairman
Andrew Rose- Vice Chairman
Doris Rife
Norma Patton
Harry Childress
Gary Hull
Jarrod Salyers

OTHER OFFICIALS:

Town Manager
Treasurer – Clerk
Police Chief
Legal Counsel

Danny Lambert
Judy Steele
Rick Mullins
Greg Baker, Town Attorney

David B. Brown, CPA
Juan J. Garcia, CPA
Michael W. Pennington, CPA
Tracy S. Garcia, CPA, CGMA, CIA^{II}, CVA*



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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Clintwood, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the major fund of the Town of Clintwood, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Clintwood, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major fund of the Town of Clintwood, Virginia, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Clintwood, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Clintwood, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Clintwood, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Clintwood, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 28-29 and 30-32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considered it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not modified by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's

report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2025, on our consideration of the Town of Clintwood, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Clintwood, Virginia's 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 Clintwood, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, consisting of the letters 'HBC' in a stylized, cursive font.

HBC Certified Public Accountants
Abingdon, Virginia

August 27, 2025

TOWN OF CLINTWOOD, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2023

EXHIBIT 1

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,691,859	\$ 3,538,781	\$ 5,230,640
Receivables:			
Taxes	34,022	-	34,022
Accounts	8,898	103,690	112,588
Other	54,809	4,700	59,509
Due from other governmental units	58,206	20,149	78,355
Prepaid Expenses	12,365	11,225	23,590
Internal Balances	421,919	(421,919)	-
Restricted Assets:			
Cash	1,558,554	44,790	1,603,344
Capital assets, depreciable, net	2,966,692	3,424,651	6,391,343
Capital assets, non-depreciable	582,131	209,205	791,336
	<u>\$ 7,389,455</u>	<u>\$ 6,935,272</u>	<u>\$ 14,324,727</u>
TOTAL ASSETS			
<u>LIABILITIES</u>			
Accounts payable	\$ 27,169	\$ 71,944	\$ 99,113
Accrued liabilities and wages	22,363	10,174	32,537
Payable From Restricted Assets:			
Deposits	-	54,870	54,870
Matured revenue interest	100	-	100
Deferred revenue - ARPA Funds	778,231	-	778,231
Long-term liabilities			
Due within one year	12,767	14,033	26,800
Due in more than one year	44,446	140,324	184,770
Compensated absences			
Due within one year	15,503	6,481	21,983
Due in more than one year	10,335	4,320	14,656
	<u>910,914</u>	<u>302,146</u>	<u>1,213,060</u>
TOTAL LIABILITIES			
<u>NET POSITION</u>			
Net investment in capital assets	3,491,610	3,479,499	6,971,109
Restricted	-	-	-
Unrestricted	2,986,931	3,153,627	6,140,558
	<u>\$ 6,478,541</u>	<u>\$ 6,633,126</u>	<u>\$ 13,111,667</u>
TOTAL NET POSITION			

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

TOWN OF CLINTWOOD, VIRGINIA
STATEMENT OF ACTIVITIES
June 30, 2023

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 278,032	\$ -	\$ -	\$ 165,000	\$ (113,032)	\$ -	\$ (113,032)
Public safety	535,984	1,777	137,160	-	(397,047)	-	(397,047)
Public works	512,332	130,904	-	-	(381,428)	-	(381,428)
Parks, recreation, and cultural	297,704	172,669	-	-	(125,035)	-	(125,035)
Community development	17,525	-	-	-	(17,525)	-	(17,525)
Interest on long-term debt	1,338	-	-	-	(1,338)	-	(1,338)
Non-departmental	-	-	-	-	-	-	-
Total Governmental Activities	1,642,915	305,350	137,160	165,000	(1,035,405)	-	(1,035,405)
Business-Type Activities:							
Water	1,279,376	1,097,235	-	242,009	-	59,868	59,868
Wastewater	510,164	693,827	-	-	-	183,663	183,663
Total Business-Type Activities	1,789,540	1,791,062	-	242,009	-	243,531	243,531
TOTAL PRIMARY GOVERNMENT	\$ 3,432,455	\$ 2,096,412	\$ 137,160	\$ 407,009	\$ (1,035,405)	\$ 243,531	\$ (791,874)

General Revenues:

Property taxes	106,703	-	106,703
Local sales & use tax	34,132	-	34,132
Utility tax	40,233	-	40,233
Business license tax	178,733	-	178,733
Communication taxes	50,650	-	50,650
Motor vehicle license	1,322	-	1,322
Bank stock tax	98,897	-	98,897
Cigarette tax	36,576	-	36,576
Hotel and motel room tax	54,497	-	54,497
Restaurant food tax	508,928	-	508,928
Coal road improvement tax	30,000	-	30,000
Unrestricted intergovernmental revenue	1,595	-	1,595
Unrestricted investment earnings	11,560	21,369	32,929
Rental of Town property	31,443	-	31,443
Gain on sale of capital assets	46,680	-	46,680
Recovered Costs	-	-	-
Transfers-Primary Government	-	-	-
Other	39,457	-	39,457
Total general revenues and transfers	1,271,406	21,369	1,292,775
Change in net position	236,001	264,900	500,901
NET POSITION- JULY 1	6,242,540	6,368,226	12,610,766
NET POSITION- JUNE 30	\$ 6,478,541	\$ 6,633,126	\$ 13,111,667

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

TOWN OF CLINTWOOD, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

EXHIBIT 3

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,691,859	\$ -	\$ 1,691,859
Receivables:			
Taxes	34,022	-	34,022
Accounts	8,898	-	8,898
Other	54,809	-	54,809
Prepaid Expenses	12,365	-	12,365
Due from other funds	403,147	-	403,147
Due from other governmental units	58,206	-	58,206
Restricted Assets:			
Cash	<u>630,223</u>	<u>928,331</u>	<u>1,558,554</u>
TOTAL ASSETS	<u>\$ 2,893,529</u>	<u>\$ 928,331</u>	<u>\$ 3,821,860</u>
LIABILITIES			
Accounts payable	\$ 27,170	\$ -	\$ 27,170
Accrued payroll and related liabilities	22,363	-	22,363
Deferred revenue - ARPA funds	-	778,231	778,231
Due to other funds	<u>(18,872)</u>	<u>100</u>	<u>(18,772)</u>
TOTAL LIABILITIES	<u>30,661</u>	<u>778,331</u>	<u>808,992</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>31,417</u>	<u>-</u>	<u>31,417</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>31,417</u>	<u>-</u>	<u>31,417</u>
FUND BALANCES			
Nonspendable	12,365	-	12,365
Restricted	405,557	-	405,557
Committed	211,857	-	211,857
Assigned	-	-	-
Unassigned	<u>2,201,675</u>	<u>150,000</u>	<u>2,351,675</u>
TOTAL FUND BALANCE	<u>2,831,454</u>	<u>150,000</u>	<u>2,981,454</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 2,893,532</u>	<u>\$ 928,331</u>	<u>\$ 3,821,863</u>
TOTAL FUND BALANCE	\$ 2,981,454		
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	3,548,823		
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	31,417		
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(25,938)		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(57,215)</u>		
Net Assets of Governmental Activities	<u>\$ 6,478,541</u>		

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

TOWN OF CLINTWOOD, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

EXHIBIT 4

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total</u>
REVENUES:			
General property taxes	\$ 107,622	\$ -	\$ 107,622
Other local taxes	1,033,968	-	1,033,968
Permits, privilege fees and regulatory licenses	275	-	275
Fines and forfeitures	6,356	-	6,356
Revenue from use of money and property	39,173	-	39,173
Charges for services	203,884	-	203,884
Miscellaneous	135,609	-	135,609
Intergovernmental	156,270	150,000	306,270
TOTAL REVENUES	<u>1,683,157</u>	<u>150,000</u>	<u>1,833,157</u>
EXPENDITURES:			
Current:			
General government administration	274,818	-	274,818
Public safety	473,043	-	473,043
Public works	430,154	-	430,154
Parks, recreation and cultural	297,533	-	297,533
Community development	17,525	-	17,525
Debt Service:			
Principle retirement	12,500	-	12,500
Interest	1,360	-	1,360
TOTAL EXPENDITURES	<u>1,506,933</u>	<u>-</u>	<u>1,506,933</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	176,224	150,000	326,224
OTHER FINANCING SOURCES (USES):			
Sale of property	46,680	-	46,680
Insurance recoveries	-	-	-
Loan proceeds	-	-	-
Transfers in (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	46,680	-	46,680
Net Change in Fund Balance	222,904	150,000	372,904
FUND BALANCE AT JULY 1	<u>2,608,550</u>	<u>-</u>	<u>2,608,550</u>
FUND BALANCE AT JUNE 30	<u>\$ 2,831,454</u>	<u>\$ 150,000</u>	<u>\$ 2,981,454</u>

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

TOWN OF CLINTWOOD, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

EXHIBIT 5

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	\$ 372,904
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(145,703)
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(919)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	12,500
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.	<u>(2,781)</u>
Change in Net Position of Governmental Activities	<u>\$ 236,001</u>

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

TOWN OF CLINTWOOD, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

EXHIBIT 6

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
ASSETS			
Cash and cash equivalents	\$ 3,462,227	\$ 76,553	\$ 3,538,780
Receivables (Net of Allowance for Uncollectibles):			
Accounts	78,657	25,033	103,690
Grants	-	-	-
Accrued interest	4,700	-	4,700
Due from Other Governments	20,149	-	20,149
Due from other funds	(1,025)	111,414	110,389
Prepaid Expenses	11,225	-	11,225
Restricted Assets:			
Cash	44,790	-	44,790
Land	64,135	6,531	70,666
Construction in progress	68,735	69,804	138,539
Capital assets, net	1,978,941	1,445,710	3,424,651
TOTAL ASSETS	\$ 5,732,534	\$ 1,735,045	\$ 7,467,579
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 58,026	\$ 13,917	\$ 71,943
Accrued wages and liabilities	10,174	-	10,174
Payable From Restricted Assets:			
Customer deposits	54,870	-	54,870
Due to other funds	510,890	21,418	532,308
Accrued interest payable	-	-	-
Revenue bond payable	14,033	-	14,033
Compensated absences	6,481	-	6,481
Total Current Liabilities	654,474	35,335	689,809
Noncurrent liabilities:			
Revenue bond payable	140,324	-	140,324
Compensated absences	4,320	-	4,320
Total Noncurrent Liabilities	144,644	-	144,644
TOTAL LIABILITIES	799,118	35,335	834,453
DEFERRED INFLOWS OF RESOURCES			
PSA Agreement Advance	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	1,957,454	1,522,045	3,479,499
Restricted	-	-	-
Unrestricted (deficit)	2,975,962	177,665	3,153,627
TOTAL NET POSITION	4,933,416	1,699,710	6,633,126
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 5,732,534	\$ 1,735,045	\$ 7,467,579

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

TOWN OF CLINTWOOD, VIRGINIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

EXHIBIT 7

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Water rents	\$ 1,061,164	\$ -	\$ 1,061,164
Sewer rents	-	677,827	677,827
Sale of labor and materials	-	-	-
Water and sewer tap fees	13,922	-	13,922
Miscellaneous	22,149	16,000	38,149
TOTAL OPERATING REVENUES	<u>1,097,235</u>	<u>693,827</u>	<u>1,791,062</u>
OPERATING EXPENSES:			
Personal services	251,325	-	251,325
Fringe benefits	199,632	-	199,632
Contractual services	330,547	255,052	585,599
Other charges	215,983	92,401	308,384
Depreciation	281,889	162,711	444,600
TOTAL OPERATING EXPENSES	<u>1,279,376</u>	<u>510,164</u>	<u>1,789,540</u>
OPERATING INCOME (LOSS)	<u>(182,141)</u>	<u>183,663</u>	<u>1,522</u>
NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue and contributions	242,009	-	242,009
Interest income	21,369	-	21,369
Interest expense	-	-	-
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>263,378</u>	<u>-</u>	<u>263,378</u>
CHANGE IN NET POSITION	81,237	183,663	264,900
NET POSITION AT JULY 1	<u>4,852,179</u>	<u>1,516,047</u>	<u>6,368,226</u>
NET POSITION AT JUNE 30	<u>\$ 4,933,416</u>	<u>\$ 1,699,710</u>	<u>\$ 6,633,126</u>

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

TOWN OF CLINTWOOD, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2023

EXHIBIT 8
PAGE 1

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,074,085	\$ 679,162	\$ 1,753,247
Cash payments to suppliers for goods and services	(705,368)	(335,470)	(1,040,838)
Cash payments to employees for services	(257,279)	-	(257,279)
Other operating income	22,149	16,000	38,149
NET CASH PROVIDED BY OPERATING ACTIVITIES	133,587	359,692	493,279
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	940	-	940
(Increase) decrease in Due from Other Governments	(12,324)	-	(12,324)
Operating transfers from other funds	-	-	-
Operating transfers to other funds	-	-	-
Interfund loans-proceeds and collections	117,196	(2,918)	114,278
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	105,812	(2,918)	102,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in Capital Assets	(56,259)	(363,838)	(420,097)
(Increase) decrease in construction in progress	(60,422)	16,760	(43,662)
Principle paid on revenue bond maturities and equipment contracts	(14,033)	-	(14,033)
Principle advances from bond and note proceeds	-	-	-
Contributed capital - Grant revenue	254,334	-	254,334
Interest paid on revenue bonds and equipment contracts	-	-	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	123,620	(347,078)	(223,458)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	18,495	-	18,495
NET CASH PROVIDED BY INVESTING ACTIVITIES	18,495	-	18,495
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	381,514	9,696	391,210
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,125,503	66,860	3,192,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,507,017	\$ 76,556	\$ 3,583,573
Cash and Cash Equivalents at June 30, 2023 displayed as:			
Unrestricted	\$ 3,462,227	\$ 76,553	\$ 3,538,780
Restricted	44,790	-	44,790
	\$ 3,507,017	\$ 76,553	\$ 3,583,570

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

TOWN OF CLINTWOOD, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2023

EXHIBIT 8
PAGE 2

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

Operating income (loss)	<u>\$ (182,141)</u>	<u>\$ 183,663</u>	<u>\$ 1,522</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	281,889	162,711	444,600
Provision for compensated absences	435	-	435
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(1,001)	1,335	334
Increase (decrease) in accounts payable	43,162	11,980	55,142
Increase (decrease) in wages payable	(6,389)	-	(6,389)
Increase (decrease) in deferred inflow of resources	-	-	-
(Increase) decrease in prepaid expenses	<u>(2,368)</u>	<u>-</u>	<u>(2,368)</u>
TOTAL ADJUSTMENTS	<u>315,728</u>	<u>176,026</u>	<u>491,754</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 133,587</u>	<u>\$ 359,689</u>	<u>\$ 493,276</u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Financial Reporting Model

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

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

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

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are not otherwise being supported by general government revenues (property 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 and operating and capital grants and contributions. The program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity.

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

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

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

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

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

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

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

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

D. **Budgets and Budgetary Accounting**

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

E. **Encumbrances**

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

F. **Capital Assets**

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

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

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

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

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset. In leases where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is non-depreciable in which the leased asset is not amortized.

G. **Cash Equivalents**

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

June 30, 2023

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

I. **Fund Equity**

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

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

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

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

J. Leases

July 1, 2021, the Town adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The following discussion provides the Town's accounting policy regarding lease statements.

During the year of implementation of GASB 87, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e., as of July 1, 2021). The Town's leases in place at the implementation date had no prepayments (payments made at or before the commencement of the lease) and contained no incentives, as such, the lease receivable and lease liability have been recognized at measured at the same amount as the related deferred inflow of resources, and right-to-use leases asset, respectively, as of the implementation date (July 1, 2021). Therefore, no restatement of prior year net position was necessary.

K. Adoption of a new accounting standard

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

2. CASH AND CASH EQUIVALENTS

Deposits

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

Investments

Investment Policy:

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

Credit Risk:

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

Concentration of Credit Risk:

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

Farmers & Miners	62%
B B & T Bank	37%

Custodial Credit Risk:

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

2. CASH AND CASH EQUIVALENTS (Continued)

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

	<u>Primary Government</u>
DEPOSITS AND INVESTMENTS:	
Cash on hand	\$ 952
Deposits	2,573,939
Investments	<u>4,259,093</u>
TOTAL	<u>\$ 6,833,984</u>
STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 5,230,640
Restricted cash and cash equivalents	<u>1,603,344</u>
TOTAL	<u>\$ 6,833,984</u>

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

3. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Town calculates its allowance for uncollectible accounts using historical collection data; and, in certain cases, specific account analysis. The allowance amounted to approximately \$24,514 at June 30, 2023, and is composed of the following:

General Operating Fund:	
Allowance for uncollectible property taxes, garbage fees and late charges	\$ 6,215
Water Fund:	
Allowance for uncollectible water rents	13,881
Sewer Fund:	
Allowance for uncollectible sewer rents	<u>4,418</u>
TOTAL	<u>\$ 24,514</u>

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

4. **PROPERTY TAXES RECEIVABLE**

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

5. **DUE FROM OTHER GOVERNMENTAL UNITS**

	<u>General Fund</u>	<u>Water Fund</u>
County of Dickenson:		
RE & PP Tax	\$ 43,011	-
Vehicle License	-	-
Grass & Weed Cutting	-	-
Court Fines	781	-
Gas Severance Tax	<u>-</u>	<u>20,149</u>
Total Due from Dickenson County	\$ 43,792	\$ 20,149
Commonwealth of Virginia:		
American Rescue Plan Act funds	\$ -	-
Communication taxes	8,042	-
Local sales and use tax	6,009	-
Mobile Home Sales tax	362	-
Police Grant	-	-
Car Rental tax	<u>-</u>	<u>-</u>
Total Due from State	\$ 14,414	\$ -
TOTAL DUE FROM OTHER GOVERNMENTAL UNITS	\$ <u>58,206</u>	\$ <u>20,149</u>

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

6. INTERFUND OBLIGATIONS

The following is a summary of amounts due from and due to other funds at June 30, 2023:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$ 425,491	\$ -
Sewer Fund	<u>-</u>	<u>3,571</u>
Total General Fund	<u>425,591</u>	<u>3,571</u>
Water Fund:		
General Fund	\$ -	\$ 425,491
Sewer Fund	<u>21,418</u>	<u>107,842</u>
Total Water Fund	<u>21,418</u>	<u>533,333</u>
Sewer Fund:		
General Fund	\$ 3,571	\$ -
Water Fund	<u>107,842</u>	<u>21,418</u>
Total Sewer Fund	<u>111,413</u>	<u>21,418</u>
TOTALS	<u>\$ 558,322</u>	<u>\$ 558,322</u>

7. FUND BALANCES—GOVERNMENTAL FUNDS

As of June 30, 2023, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid items	\$ 12,365	\$ —	\$ 12,365
Restricted:			
Cemetery	405,557	—	405,557
Committed:			
Jettie Baker Center	211,857	—	211,857
Unassigned	<u>2,201,675</u>	<u>150,000</u>	<u>2,351,675</u>
Total fund balances	<u>\$ 2,831,454</u>	<u>\$ 150,000</u>	<u>\$ 2,981,454</u>

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

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

8. CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 486,508	\$ -	\$ -	\$ 486,508
Construction in progress	-	95,623	-	95,623
Total Capital Assets, not Depreciated	<u>486,508</u>	<u>95,623</u>	<u>-</u>	<u>582,131</u>
Capital assets, depreciated				
Buildings and improvements	5,884,900	16,451	-	5,901,351
Machinery and equipment	1,782,411	-	-	1,782,411
Total Capital Assets, Depreciated	<u>7,667,311</u>	<u>16,451</u>	<u>-</u>	<u>7,683,762</u>
Less accumulated depreciation for				
Buildings and improvements	3,107,472	159,752	-	3,267,224
Machinery and equipment	1,351,823	98,023	-	1,449,846
Total accumulated depreciation	<u>4,459,295</u>	<u>257,775</u>	<u>-</u>	<u>4,717,070</u>
Total Capital Assets, depreciated, net	<u>3,208,016</u>	<u>(241,324)</u>	<u>-</u>	<u>2,966,692</u>
Governmental activities capital assets, net	<u>\$ 3,694,524</u>	<u>\$ (145,701)</u>	<u>\$ -</u>	<u>\$ 3,548,823</u>
Business Type Activities				
Capital assets, not depreciated				
Land	\$ 70,666	\$ -	\$ -	\$ 70,666
Construction in progress	94,878	130,225	(86,564)	138,539
Total Capital Assets, not Depreciated	<u>165,544</u>	<u>130,225</u>	<u>(86,564)</u>	<u>209,205</u>
Capital assets, depreciated				
Buildings and water/sewer system	11,508,140	-	-	11,508,140
Improvements	5,450,334	403,326	-	5,853,660
Machinery and equipment	1,284,975	16,773	-	1,301,748
Total Capital Assets, Depreciated	<u>18,243,449</u>	<u>420,099</u>	<u>-</u>	<u>18,663,548</u>
Less accumulated depreciation for				
Buildings and water/sewer system	10,687,136	161,840	-	10,848,976
Improvements	3,110,051	229,169	-	3,339,220
Machinery and equipment	997,110	53,591	-	1,050,701
Total Accumulated Depreciation	<u>14,794,297</u>	<u>444,600</u>	<u>-</u>	<u>15,238,897</u>
Total Capital Assets, Depreciated, Net	<u>3,449,152</u>	<u>(24,501)</u>	<u>-</u>	<u>3,424,651</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,614,696</u>	<u>\$ 105,724</u>	<u>\$ (86,564)</u>	<u>\$ 3,633,856</u>

TOWN OF CLINTWOOD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

9. CAPITAL ASSETS

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

Governmental Activities:

General government	\$ 4,364
Public safety	60,362
Public works	80,803
Parks & recreation	<u>112,246</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 257,775</u>

Business-Type Activities:

Water and sewer	<u>\$ 444,600</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 444,600</u>

10. LONG-TERM DEBT

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

Years Ending June 30,	Water Revenue Bonds		TOTAL	
	Principal	Interest	Principal	Interest
2024	14,033	-	14,033	-
2025	14,033	-	14,033	-
2026	14,033	-	14,033	-
2027	14,033	-	14,033	-
2028	14,033	-	14,033	-
2029-2033	70,165	-	70,165	-
2034-2037	<u>14,027</u>	<u>-</u>	<u>14,027</u>	<u>-</u>
TOTALS	<u>\$ 154,357</u>	<u>\$ -</u>	<u>\$ 154,357</u>	<u>\$ -</u>

Years Ending June 30,	USDA Note Payable		TOTAL	
	Principal	Interest	Principal	Interest
2024	\$ 12,767	\$ 1,093	\$ 12,767	\$ 1,093
2025	13,041	819	13,041	819
2026	13,321	539	13,321	539
2027	13,607	253	13,607	253
2028	<u>4,477</u>	<u>20</u>	<u>4,477</u>	<u>20</u>
TOTALS	<u>\$ 57,213</u>	<u>\$ 2,724</u>	<u>\$ 57,213</u>	<u>\$ 2,724</u>

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

10. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town of Clintwood for the year ended June 30, 2023:

	<u>Total General Fund</u>
Bonds/loans payable at 6/30/22	\$ 69,712
Additions	-
Retirements	(12,500)
Bonds/loans payable at 6/30/23	<u>\$ 57,613</u>

	<u>Water Revenue Bond</u>	<u>Total Enterprise Fund</u>
Bonds/loans payable at 6/30/22	\$ 168,390	\$ 168,390
Additions	-	-
Retirements	(14,033)	(14,033)
Bonds/loans payable at 6/30/23	<u>\$ 154,357</u>	<u>\$ 154,357</u>

Details of Long-Term Indebtedness:

General Obligation Bonds:

Amount

\$90,000 Sanitation Equipment loan issued September 18, 2020 to USDA Rural Development, With interest at 2.125%. This agreement requires monthly payments of \$1,155.00 for principal and interest for seven years.

\$ 57,613

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT

\$ 57,613

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

10. LONG-TERM DEBT (Continued)

Enterprise Funds:

\$420,975 water revenue bond issued December 17, 2003 to Virginia Resource Authority with no interest. Principal payments of \$7,016 payable January 1, 2005, and semi-annually thereafter with final payment due on July 1, 2034. \$154,357

TOTAL ENTERPRISE FUND LONG-TERM DEBT \$154,357

11. CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town of Clintwood has accrued the liability arising from outstanding claims and judgments and compensated absences. At June 30, 2023, the Town of Clintwood had outstanding general leave, paid but unearned, totaling \$24,002 in the General Operating Fund and \$10,033 in the Enterprise Funds of earned, but unpaid leave.

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

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

Upon termination of employment, employees are paid full pay for accumulated general leave. Upon separation, an employee is entitled to payment for the amount of sick leave accrued at the time of separation not to exceed 120 hours. Temporary or part-time employees do not qualify for general leave.

The following is a summary of compensated absences transactions for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions/ Proceeds</u>	<u>Payments/ Reductions</u>	<u>Balance June 30, 2023</u>
<u>General Operating Fund</u>				
Accrued Compensated Absences	<u>\$ 21,398</u>	<u>\$ 27,613</u>	<u>\$ (25,009)</u>	<u>\$ 24,002</u>
<u>Enterprise Funds</u>				
Accrued Compensated Absences	<u>\$ 9,629</u>	<u>\$ 17,082</u>	<u>\$ (16,678)</u>	<u>\$ 10,033</u>

12. SIMPLIFIED EMPLOYEE PENSION – INDIVIDUAL RETIREMENT

The Town of Clintwood, Virginia provides pension benefits for all of its full-time employees through a simplified employee-individual retirement plan. Employees are eligible to participate after one year of service and employee contributions to the plan are optional. The Town contributes up to a maximum of 8.0% of the employee's base salary. The Town's contributions for each employee and interest allocated to the employee's account are fully credited at the time of payment. Should the employee separate from employment, the employee will receive all of his or her contributions plus accrued interest and the amount of benefits and accrued interest that the Town has paid into the plan. The Town's total contribution expense in fiscal year 2023 was \$57,029. The Town does not provide any other employee retirement benefits.

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

The Town has deferred inflows totaling \$809,648 in the general fund comprised of the following:

Deferred Property Tax Revenue

Deferred inflows representing uncollected tax billings not available for funding of current expenditures totaled \$31,417 at June 30, 2023.

Deferred ARPA Funds

Deferred inflows comprised of American Rescue Plan Act funding which has not been expended and so not available for current expenditures totaled \$778,231.

14. **SURETY BONDS**

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

15. **COMMITMENTS AND CONTINGENCIES**

Litigation

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

16. **Leases**

In 2022, the Town implemented the guidance of GASB No. 87, *Leases*, which for lessees requires reporting an intangible right-to-use asset and a lease liability for long-term leases that had previously been reported as operating leases.

17. **COVID-19 PANDEMIC FUNDING AND SUBSEQUENT EVENT**

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

TOWN OF CLINTWOOD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

17. COVID-19 PANDEMIC FUNDING AND SUBSEQUENT EVENT (Continued)

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. The Town received its second half of the CSLFRF funds in July 2022. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. The Town has \$112,145 of unspent funds from the initial allocation and \$666,086 of unspent funds from the second allocation as of June 30, 2023.

18. UPCOMING PRONOUNCEMENTS

Statement No. 99, Omnibus 2022, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to fiscal years beginning after June 15, 2023.

Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, Compensated Absences, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

TOWN OF CLINTWOOD, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON
Year Ended June 30, 2023

SCHEDULE 1
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real and Personal property taxes	\$ 104,000	\$ 108,000	\$ 106,375	\$ (1,625)
Mobile Home taxes	200	300	1,247	947
Total General Property Taxes	<u>104,200</u>	<u>108,300</u>	<u>107,622</u>	<u>(678)</u>
Other Local Taxes:				
Local sales and use taxes	33,000	33,000	34,132	1,132
Cigarette taxes	45,000	37,000	36,576	(424)
Utility taxes	49,800	49,300	46,865	(2,435)
Business licenses taxes	154,800	175,000	171,946	(3,054)
Communication taxes	53,000	51,000	50,650	(350)
Car rental taxes	5,000	2,500	1,322	(1,178)
Motor vehicle licenses	600	600	155	(445)
Bank stock taxes	90,000	95,000	98,897	3,897
Hotel and motel room taxes	37,000	60,000	54,497	(5,503)
Restaurant food taxes	440,000	500,000	508,928	8,928
Coal road improvement taxes	30,000	30,000	30,000	-
Total Other Local Taxes	<u>938,200</u>	<u>1,033,400</u>	<u>1,033,968</u>	<u>568</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>300</u>	<u>300</u>	<u>275</u>	<u>(25)</u>
Fines and Forfeitures	<u>7,000</u>	<u>7,000</u>	<u>6,356</u>	<u>(644)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	22,600	46,100	39,173	(6,927)
Revenue from use of property	-	-	-	-
Total Revenue From Use of Money and Property	<u>22,600</u>	<u>46,100</u>	<u>39,173</u>	<u>(6,927)</u>
Charges For Services:				
Charges for sanitation and waste removal	129,200	131,200	130,904	(296)
Cemetery plots and materials	12,000	17,000	15,200	(1,800)
Donations for Fire Department Services	-	-	1,315	1,315
Charges for Fire Department Services	-	-	1,777	1,777
Donations for Police Department Services	-	-	-	-
Charges for parks, recreation and cultural	27,500	59,800	54,688	(5,112)
Charges for maintenance of highways, bridges, and streets	-	-	-	-
Total Charges For Services	<u>168,700</u>	<u>208,000</u>	<u>203,884</u>	<u>(4,116)</u>
Miscellaneous Revenue	<u>359,450</u>	<u>143,750</u>	<u>135,609</u>	<u>(8,141)</u>
Total Revenue From Local Sources	<u>\$ 1,600,450</u>	<u>\$ 1,546,850</u>	<u>\$ 1,526,887</u>	<u>\$ (19,963)</u>

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

TOWN OF CLINTWOOD, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON
Year Ended June 30, 2023

SCHEDULE 1
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue From County				
County Contributions-Fire Department	\$ 72,000	\$ 75,500	\$ 44,866	\$ (30,634)
Total Revenue From County	<u>\$ 72,000</u>	<u>\$ 75,500</u>	<u>\$ 44,866</u>	<u>\$ (30,634)</u>
 Revenue From The Commonwealth:				
Non-Categorical Aid:				
Litter grant	\$ 1,300	\$ 1,600	\$ 1,595	\$ (5)
VA Tourism Grant	10,000	-	-	-
VCEDA Grant	50,000	-	-	-
CPPD Grant	50,000	-	-	-
ARPA	-	-	15,000	15,000
Mobile home titling taxes	-	-	-	-
Rolling stock taxes	-	-	-	-
Assistance to localities with police departments	-	-	-	-
Total Non-Categorical Aid	<u>111,300</u>	<u>1,600</u>	<u>16,595</u>	<u>14,995</u>
Other Categorical Aid:				
State assistance	-	-	-	-
Fire programs fund	15,000	15,000	15,000	-
Law enforcement grant	63,295	91,045	79,809	(11,236)
Total Other Categorical Aid	<u>78,295</u>	<u>106,045</u>	<u>94,809</u>	<u>(11,236)</u>
Total Revenue From The Commonwealth	<u>\$ 189,595</u>	<u>\$ 107,645</u>	<u>\$ 111,404</u>	<u>\$ 3,759</u>
 Revenue From The Federal Government:				
Categorical Aid:				
American Rescue Plan Act	-	-	-	-
Total Categorical Aid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue From The Federal Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Prior Years Surplus	<u>304,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	<u>\$ 2,166,300</u>	<u>\$ 1,729,995</u>	<u>\$ 1,683,157</u>	<u>\$ (46,838)</u>

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

TOWN OF CLINTWOOD, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON
Year Ended June 30, 2023

SCHEDULE 2
Page 1

	<u>Original</u> <u>Budget</u>	<u>Budget as</u> <u>Amended</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
General and Financial Administration:				
Salaries	\$ 93,675	\$ 99,575	\$ 96,809	\$ 2,766
Fringe benefits	18,100	20,100	17,563	2,537
Payroll taxes	11,700	12,000	6,810	5,190
Utilities	16,000	17,500	35,721	(18,221)
Insurance	39,000	34,000	28,862	5,138
Supplies	20,000	23,000	19,378	3,622
Legal and consulting	10,000	8,000	11,520	(3,520)
Independent auditor	14,000	14,000	6,568	7,432
Electoral Expense	2,000	2,000	1,694	306
Engineering & Surveying	2,000	2,000	1,890	110
Advertising	2,000	2,000	1,218	782
Repairs and maintenance	10,000	5,000	5,540	(540)
Computer & Software	17,000	22,000	22,085	(85)
Miscellaneous	41,900	23,900	19,160	4,740
Capital Outlay	100,000	-	-	-
Total General Government Administration	\$ 397,375	\$ 285,075	\$ 274,818	\$ 10,257
Public Safety:				
Law Enforcement and Traffic Control:				
Salaries	\$ 212,225	\$ 217,550	\$ 204,079	\$ 13,471
Fringe Benefits	95,420	95,420	91,893	3,527
Payroll taxes	16,700	16,700	18,111	(1,411)
Office	8,000	11,000	11,228	(228)
Fuel	15,000	15,000	7,198	7,802
Utilities	3,500	3,500	3,555	(55)
Repairs and maintenance	4,000	15,000	13,300	1,700
Capital purchases	-	-	-	-
Miscellaneous	38,815	36,665	12,622	24,043
Total Law Enforcement and Traffic Control	393,660	410,835	361,986	48,849
Fire and Rescue Services:				
Volunteer fire department	106,500	121,500	111,057	10,443
Ambulance and rescue services	3,000	18,000	-	18,000
Total Fire and Rescue Services	109,500	139,500	111,057	28,443
 Total Public Safety	 \$ 503,160	 \$ 550,335	 \$ 473,043	 \$ 77,292

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

TOWN OF CLINTWOOD, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON
Year Ended June 30, 2023

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Works:				
Streets and Sidewalks:				
Salaries	\$ 135,900	\$ 131,500	108,885	22,615
Fringe benefits	86,650	75,150	74,972	178
Payroll taxes	11,000	11,000	8,654	2,346
Supplies	11,000	14,000	14,077	(77)
Repairs and maintenance	18,000	38,000	37,167	833
Fuel	8,000	8,000	4,809	3,191
Highways, streets, bridges, and sidewalks	70,000	29,650	5,975	23,675
Storm damage	-	-	-	-
Street lights	34,000	43,000	44,333	(1,333)
Capital purchases	-	-	-	-
Miscellaneous	28,000	15,300	13,074	2,226
Total Maintenance of Highways, Streets,	402,550	365,600	311,946	53,654
Sanitation and Waste Removal:				
Salaries	75,200	82,200	71,152	11,048
Fringe benefits	16,085	16,085	14,366	1,719
Payroll taxes	5,800	6,800	5,584	1,216
Repair and Maintenance	10,000	13,000	10,963	2,037
Fuel	8,000	12,000	8,908	3,092
Refuse collection	12,500	5,500	4,127	1,373
Miscellaneous	1,680	3,830	3,108	722
Capital purchases	-	-	-	-
Total Sanitation and Waste Removal	129,265	139,415	118,208	21,207
Total Public Works	\$ 531,815	\$ 505,015	\$ 430,154	\$ 74,861
Parks, Recreation and Cultural:				
Park and Recreation				
Ralph Cummins Stadium	\$ 7,000	\$ 9,000	\$ 338	\$ 8,662
Kids corner park	8,100	10,100	7,901	2,199
Community park	4,900	2,900	2,612	288
Community center	7,500	25,000	21,939	3,061
Cemetery	15,000	10,770	1,250	9,520
Splash Pad	425,000	136,000	95,623	40,377
Little League Field	2,500	4,000	3,514	486
Fourth of July	45,300	43,300	24,850	18,450
Total Parks and Recreation	515,300	241,070	158,027	83,043
Cultural Enrichment:				
Jettie Baker Center	125,150	124,350	99,809	24,541
Ralph Stanley Museum	76,500	54,650	39,697	14,953
Barter Theatre	-	-	-	-
Crooked Road	-	-	-	-
Total Cultural Enrichment	201,650	179,000	139,506	39,494
Total Parks, Recreation and Cultural	\$ 716,950	\$ 420,070	\$ 297,533	\$ 122,537

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

TOWN OF CLINTWOOD, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON
Year Ended June 30, 2023

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Community Development:				
Community Development	\$ 3,000	\$ 2,500	\$ 17,525	\$ (15,025)
Total Planning and Community Development	<u>3,000</u>	<u>2,500</u>	<u>17,525</u>	<u>(15,025)</u>
Total Community Development	<u>\$ 3,000</u>	<u>\$ 2,500</u>	<u>\$ 17,525</u>	<u>\$ (15,025)</u>
Non-Departmental:				
Contingency	\$ -	\$ -	\$ -	\$ -
Total Non-Departmental	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:				
Principal retirement	\$ 14,000	\$ 14,000	\$ 12,500	\$ 1,500
Interest	-	-	1,360	(1,360)
Total Non-Departmental	<u>14,000</u>	<u>14,000</u>	<u>13,860</u>	<u>140</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS				
	<u>\$ 2,166,300</u>	<u>\$ 1,776,995</u>	<u>\$ 1,506,933</u>	<u>\$ 270,062</u>
OTHER FINANCING RESOURCES (USES):				
Sale of property	\$ -	\$ 47,000	\$ 46,680	\$ 320
Insurance recoveries	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>47,000</u>	<u>46,680</u>	<u>320</u>
Net Increase (Decrease) in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,904</u>	<u>\$ 222,904</u>

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



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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 Honorable Members of the Town Council
Town of Clintwood, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the business-type activities of the Town of Clintwood, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Clintwood, Virginia's basic financial statements, and have issued our report thereon dated August 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Clintwood, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clintwood, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clintwood, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clintwood, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature in black ink, consisting of the letters 'HBC' in a stylized, cursive font.

HBC Certified Public Accountants
Abingdon, Virginia

August 27, 2025