

TOWN OF POUND, VIRGINIA

AUDIT REPORT

Year Ended June 30, 2014

TOWN OF POUND, VIRGINIA
TOWN OFFICIALS

MAYOR: George E. Dean

TOWN COUNCIL: Jerry Wolfe (Vice-Mayor)
James Pelfrey
Glenn Cantrell
Danny Stanley
Clifton Cauthorne Jr.

OTHER OFFICIALS: Town Manager – Jane Bennett
Treasurer/Clerk – Linda Meade
Police Chief – Tony Baker
Legal Counsel - Gary Gilliam

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

**BRIAN K. BLANTON, C.P.A.
* CHARLES F. LAWSON, C.P.A.

Founded 1948

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

*Member of American Institute of
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612 Trent Street
Norton, Virginia 24273
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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Council
Town of Pound
Pound, VA 24279

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pound, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

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

Opinions

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

Emphasis of Matter

We draw attention to the Statement of Net Position on page 13 and accompanying Note 15 in the notes to the financial statements which reflects a continued deficit in net position for the Town of Pound's Proprietary Fund Operations. If the Town continues to suffer recurring losses from operations and continues to have a net capital deficiency, there may be substantial doubt about its ability to continue as a going concern. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 the 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of the Town of Pound's internal control over financial reporting and on our test 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
March 27, 2015

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of the Town Council
Town of Pound
Pound, VA 24279

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the Town of Pound, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Pound, Virginia's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2014, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the separate Schedule of Findings issued to management on March 27, 2015 that we consider to be significant deficiencies. Item #2014-1 Lack of Segregation of Duties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Members of the Town Council
Town of Pound
Pound, VA 24279
Page 2

*(Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards)*

Town of Pound's Response to Findings

The Town's response to the findings identified in our audit is described in the separate Schedule of Findings and Responses issued to management on March 27, 2015. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit 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.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
March 27, 2015

TOWN OF POUND, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 22,092	\$ 41,291	\$ 63,383
Restricted cash	78,529	61,721	140,250
Receivable, net	26,308	194,648	220,956
Internal balances	412,621	(412,621)	-
Due from other governmental units	36,385	-	36,385
Prepaid expense	-	21,917	21,917
Capital assets, non-depreciable	6,501	945,541	952,042
Capital assets, depreciable, net	942,201	6,354,137	7,296,338
 Total Assets	 \$ 1,524,637	 \$ 7,206,634	 \$ 8,731,271
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 19,683	\$ 234,058	\$ 253,741
Accrued payroll and related liabilities	3,412	2,727	6,139
Accrued interest payable	5,089	1,917	7,006
Customer security deposits	-	24,830	24,830
Compensated absences			
Due within one year	-	-	-
Due in more than one year	-	-	-
Long-term liabilities:			
Due within one year	31,179	93,308	124,487
Due in more than one year	71,690	1,616,083	1,687,773
 Total Liabilities	 131,053	 1,972,923	 2,103,976
<u>NET POSITION</u>			
Net investment in capital assets	845,833	5,590,287	6,436,120
Restricted	78,529	61,721	140,250
Unrestricted (deficit)	469,222	(418,297)	50,925
 Total Net Position	 \$ 1,393,584	 \$ 5,233,711	 \$ 6,627,295

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

TOWN OF POUND, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

EXHIBIT 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities						
General government	\$ 284,730	\$ -	\$ -	\$ -	\$ (284,730)	\$ -
Public safety	286,000	-	35,812	-	(250,188)	-
Public works	86,196	54,284	-	-	(31,912)	-
Interest on long-term debt	7,029	-	-	-	(7,029)	-
Total Governmental Activities	663,955	54,284	35,812	-	(573,859)	-
Business-Type Activities						
Water	697,370	480,935	-	621,751	-	405,316
Wastewater	721,123	595,350	-	-	-	(125,773)
Total Business-Type Activities	1,418,493	1,076,285	-	621,751	-	279,543
TOTAL PRIMARY GOVERNMENT	\$ 2,082,448	\$ 1,130,569	\$ 35,812	\$ 621,751	\$ (573,859)	\$ (294,316)
General revenues						
Property taxes				\$ 191,544	\$ -	\$ 191,544
Other local taxes				285,227	-	285,227
Fines & forfeitures				8,682	-	8,682
Unrestricted investment earnings				-	5	5
Unrestricted intergovernmental revenue				10,732	-	10,732
Other				23,766	2,500	26,266
Transfers				-	-	-
Total general revenues and transfers				519,951	2,505	522,456
Change in net position				(53,908)	282,048	228,140
NET POSITION- JULY 1				1,447,492	4,951,663	6,399,155
NET POSITION- JUNE 30				\$ 1,393,584	\$ 5,233,711	\$ 6,627,295

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

**TOWN OF POUND, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014**

EXHIBIT 3

	<u>General Fund</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 22,092	\$ 22,092
Restricted cash	78,529	78,529
Taxes receivable	20,025	20,025
Accounts receivable	6,283	6,283
Inventory	-	-
Due from other funds	412,621	412,621
Due from other governmental units	36,385	36,385
Total Assets	<u>\$ 575,935</u>	<u>\$ 575,935</u>
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 19,683	\$ 19,683
Accrued payroll and related liabilities	3,412	3,412
Total Liabilities	<u>23,095</u>	<u>23,095</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred property taxes	17,813	17,813
Total Deferred Inflows of Resources	<u>17,813</u>	<u>17,813</u>
<u>FUND BALANCES</u>		
Nonspendable	412,621	412,621
Restricted	-	-
Committed	78,529	78,529
Assigned	9,101	9,101
Unassigned	34,776	34,776
Total Fund Balances	<u>535,027</u>	<u>535,027</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 575,935</u>	<u>\$ 575,935</u>
Total Fund Balances	\$ 535,027	
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.	948,702	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	17,813	
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds.	(5,089)	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(102,869)</u>	
Net Position of Governmental Activities	<u>\$ 1,393,584</u>	

TOWN OF POUND, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2014

EXHIBIT 4

	<u>General Fund</u>	<u>Total</u>
REVENUES		
General property taxes	\$ 190,820	\$ 190,820
Other local taxes	285,227	285,227
Fines and forfeitures	8,682	8,682
Charges for services	54,284	54,284
Miscellaneous	13,365	13,365
Intergovernmental	56,945	56,945
Total Revenues	<u>609,323</u>	<u>609,323</u>
EXPENDITURES		
Current:		
General government administration	191,352	191,352
Public safety:		
Police department	243,988	243,988
Fire department	19,734	19,734
Public works:		
Street department	42,771	42,771
Garbage department	43,187	43,187
Debt service:		
Principal retirement	29,642	29,642
Interest and fiscal charges	7,877	7,877
Total Expenditures	<u>578,551</u>	<u>578,551</u>
Excess (Deficiency) of Revenues over Expenditures	<u>30,772</u>	<u>30,772</u>
OTHER FINANCING SOURCES (USES)		
Transfers Out	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>30,772</u>	<u>30,772</u>
FUND BALANCE AT JULY 1, 2013	<u>504,255</u>	<u>504,255</u>
FUND BALANCE AT JUNE 30, 2014	<u>\$ 535,027</u>	<u>\$ 535,027</u>

TOWN OF POUND, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2014

EXHIBIT 5

	<u>General Fund</u>
Net change in fund balance governmental fund	\$ 30,772
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.	(116,006)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	724
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	29,642
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>960</u>
Change in net position of governmental activities	<u>\$ (53,908)</u>

TOWN OF POUND, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

EXHIBIT 6

	Business-Type Activities -		
	Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 10,015	\$ 31,276	\$ 41,291
Receivables, net	178,732	15,916	194,648
Prepaid expense	-	21,917	21,917
Due from other governmental units	-	-	-
Total Current Assets	<u>188,747</u>	<u>69,109</u>	<u>257,856</u>
Noncurrent assets:			
Restricted cash	16,084	45,637	61,721
Capital assets, non-depreciable	922,771	22,770	945,541
Capital assets, depreciable, net	4,314,825	2,039,312	6,354,137
Due from other funds	-	110,227	110,227
Total Noncurrent Assets	<u>5,253,680</u>	<u>2,217,946</u>	<u>7,471,626</u>
 Total Assets	 <u>\$ 5,442,427</u>	 <u>\$ 2,287,055</u>	 <u>\$ 7,729,482</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 224,005	\$ 10,053	\$ 234,058
Accrued payroll and related liabilities	2,095	632	2,727
Accrued interest payable	1,476	441	1,917
Customer deposits	24,830	-	24,830
Compensated absences	-	-	-
Bonds and notes payable	<u>28,436</u>	<u>64,872</u>	<u>93,308</u>
Total Current Liabilities	<u>280,842</u>	<u>75,998</u>	<u>356,840</u>
Noncurrent liabilities			
Due to other funds	366,479	156,369	522,848
Bonds and notes payable	<u>986,054</u>	<u>630,029</u>	<u>1,616,083</u>
Total Noncurrent Liabilities	<u>1,352,533</u>	<u>786,398</u>	<u>2,138,931</u>
 Total Liabilities	 <u>1,633,375</u>	 <u>862,396</u>	 <u>2,495,771</u>
<u>NET POSITION</u>			
Net investment in capital assets	4,223,106	1,367,181	5,590,287
Restricted	16,084	45,637	61,721
Unrestricted (deficit)	<u>(430,138)</u>	<u>11,841</u>	<u>(418,297)</u>
Total Net Position	<u>3,809,052</u>	<u>1,424,659</u>	<u>5,233,711</u>
 Total Liabilities and Net Position	 <u>\$ 5,442,427</u>	 <u>\$ 2,287,055</u>	 <u>\$ 7,729,482</u>

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

TOWN OF POUND, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended
June 30, 2014

EXHIBIT 7

	Business-Type Activities -		
	Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 467,041	\$ 593,205	\$ 1,060,246
Connection/hook-up fees	13,584	1,000	14,584
Miscellaneous	310	1,145	1,455
Total Operating Revenues	<u>480,935</u>	<u>595,350</u>	<u>1,076,285</u>
OPERATING EXPENSES			
Salaries	194,368	35,833	230,201
Fringe benefits	51,303	13,155	64,458
Contract services	-	277,537	277,537
Water purchased	122,418	-	122,418
Insurance	15,148	14,953	30,101
Materials and supplies	72,802	5,262	78,064
Repairs and maintenance	4,949	38,100	43,049
Utilities and telephone	34,488	48,399	82,887
Other	31,548	16,052	47,600
Depreciation and amortization	156,489	244,475	400,964
Total Operating Expenses	<u>683,513</u>	<u>693,766</u>	<u>1,377,279</u>
Operating Income (Loss)	<u>(202,578)</u>	<u>(98,416)</u>	<u>(300,994)</u>
NON-OPERATING REVENUES(EXPENSES)			
Tap fees	2,500	-	2,500
Grant Income	621,751	-	621,751
Interest income	5	-	5
Interest expense	(13,857)	(27,357)	(41,214)
Transfers From Other Funds	-	-	-
Total Non-Operating Revenues (Expenses)	<u>610,399</u>	<u>(27,357)</u>	<u>583,042</u>
CHANGE IN NET POSITION	407,821	(125,773)	282,048
NET POSITION-JULY 1, 2013	<u>3,401,231</u>	<u>1,550,432</u>	<u>4,951,663</u>
NET POSITION-JUNE 30, 2014	<u>\$ 3,809,052</u>	<u>\$ 1,424,659</u>	<u>\$ 5,233,711</u>

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

TOWN OF POUND, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended June 30, 2014

EXHIBIT 8

	Business-Type Activities -		
	Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
OPERATING ACTIVITIES			
Receipts from customers	\$ 325,973	\$ 572,870	\$ 898,843
Payments to suppliers for goods & services	(128,188)	(400,595)	(528,783)
Payments to employees	(193,341)	(35,734)	(229,075)
Receipt of customer deposits	(2,190)	-	(2,190)
Net Cash Provided by (Used in) Operating Activities	<u>2,254</u>	<u>136,541</u>	<u>138,795</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(827,347)	(2,145)	(829,492)
Principal paid on long-term debt	(88,853)	(670,216)	(759,069)
Bond proceeds	235,395	627,000	862,395
Interest on loan	(12,822)	(34,996)	(47,818)
Increase(decrease) in due to other funds	63,630	(55,705)	7,925
Capital grant proceeds	621,751	-	621,751
Tap fees collected	2,500	-	2,500
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(5,746)</u>	<u>(136,062)</u>	<u>(141,808)</u>
INVESTING ACTIVITIES			
Interest received on investments	<u>5</u>	<u>-</u>	<u>5</u>
Net Cash Provided by Investing Activities	<u>5</u>	<u>-</u>	<u>5</u>
Net Increase in Cash and Cash Equivalents	(3,487)	479	(3,008)
CASH AND CASH EQUIVALENTS			
Beginning at July 1	<u>29,586</u>	<u>76,434</u>	<u>106,020</u>
Ending at June 30	<u>\$ 26,099</u>	<u>\$ 76,913</u>	<u>\$ 103,012</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (202,578)	\$ (98,416)	\$ (300,994)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	156,489	244,475	400,964
Bad debts	12,797	6,702	19,499
Change in certain assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(154,961)	(563)	(155,524)
Prepaid expenses	-	(21,917)	(21,917)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	191,670	6,161	197,831
Accrued payroll and related liabilities	1,027	99	1,126
Customer deposits	(2,190)	-	(2,190)
Net Cash Provided by Operating Activities	<u>\$ 2,254</u>	<u>\$ 136,541</u>	<u>\$ 138,795</u>

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

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Pound, 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, 2004.

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 POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

B. Financial Reporting Model (Continued)

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

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

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

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

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

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

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

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

June 30, 2014

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 electric, 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 POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

F. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

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

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

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

G. Cash Equivalents

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

H. Total Columns on Combined Statements - Overview

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

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Defined Benefit Pension Plans

Defined benefit pension plan contributions are actuarially determined and consist of current service costs and amortization of past service costs over a 20-year period for the Virginia Retirement System (VRS) Plans. The Town's policy is to fund pension cost as it accrues.

J. Fund Balances – Government Funds

The Town elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental fund report the following classification of fund balance:

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2013, by The Town are nonspendable in form. The Town has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Town Council, The Town's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by The Town Council.
- Assigned – includes amounts that The Town intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under The Town Council's adopted policy, amounts may be assigned by the Treasurer under the authorization of the Mayor's Office.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General fund. The Town reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

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

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

	<u>General Fund</u>
Nonspendable:	
Interfund Receivable	\$ 412,621
Restricted:	
Capital project funds	\$ -

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balances – Government Funds (Continued)

	<u>General Fund</u>
Committed:	
Fire truck funds	\$ 78,529
Assigned:	
Park & recreation funds	3,092
Heritage day funds	3,173
Police funds	2,512
BBQ event funds	324
Unassigned:	<u>34,776</u>
Total Fund Balance	<u>\$ 535,027</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 The Town Council has provided otherwise in its commitment or assignment actions.

2. CASH AND CASH EQUIVALENTS

Deposits

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

Investments

Investment Policy:

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

Credit Risk:

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

Concentration of Credit Risk:

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

B B & T Bank	95%
New Peoples Bank	5%

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

2. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk:

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

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

	Primary Government
Deposits and investments:	
Cash on hand	\$ 200
Deposits	<u>203,433</u>
	<u>\$ 203,633</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 63,383
Restricted cash and cash equivalents	<u>140,250</u>
	<u>\$ 203,633</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 \$65,101 at June 30, 2014, and is composed of the following:

General Operating Fund:	
Allowance for uncollectible property taxes	\$ 36,095
Water Fund:	
Allowance for uncollectible water rents	18,791
Sewer Fund:	
Allowance for uncollectible sewer rents	<u>10,215</u>
TOTAL	<u>\$ 65,101</u>

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 Wise 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 Town bills and collects its own property taxes and revenues are recognized when collected.

TOWN OF POUND, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****June 30, 2014****5. DUE FROM OTHER GOVERNMENTAL UNITS**

	<u>General Fund</u>	<u>Water Fund</u>
Wise County:		
Coal haul road tax	\$ 12,118	\$ -
Court fines	1,370	-
Local sales tax	12,839	-
School Resource Officer	-	-
Total Due from Wise County	<u>\$ 26,327</u>	<u>\$ -</u>
State:		
Communication taxes	\$ 5,563	\$ -
Virginia fire grant	1,000	-
Virginia mobile home tax	3,495	-
VDH assistance grants	-	-
Total Due from State	<u>\$ 10,058</u>	<u>\$ -</u>
Total Due from Other Governmental Units	<u>\$ 36,385</u>	<u>\$ -</u>

6. INTERFUND OBLIGATIONS

The following is a summary of amounts due from and due to other funds at June 30, 2014:

<u>Entity Wide:</u>	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$256,252	\$ -
Sewer Fund	<u>156,369</u>	<u>-</u>
Total General Fund	<u>412,621</u>	<u>-</u>
Water Fund:		
General Fund	-	256,252
Sewer Fund	<u>-</u>	<u>-</u>
Total Water Fund	<u>-</u>	<u>256,252</u>
Sewer Fund:		
General Fund	-	156,369
Water Fund	<u>-</u>	<u>-</u>
Total Sewer Fund	<u>-</u>	<u>156,369</u>
TOTALS	<u>\$412,621</u>	<u>\$412,621</u>
Enterprise Funds:		
Water Fund:		
Sewer Fund	\$ -	\$ 110,227
Total Water Fund	<u>-</u>	<u>110,227</u>
Sewer Fund:		
Water Fund	<u>110,227</u>	<u>-</u>
Total Sewer Fund	<u>110,227</u>	<u>-</u>
TOTALS	<u>\$110,227</u>	<u>\$ 110,227</u>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. 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	\$ 6,501	\$ -	\$ -	\$ 6,501
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, not Depreciated	<u>\$ 6,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,501</u>
Capital assets, depreciated				
Buildings and improvements	\$ 241,227	\$ -	\$ -	\$ 241,227
Infrastructure	\$ 1,011,850	\$ -	\$ -	\$ 1,011,850
Machinery and equipment	\$ 702,529	\$ -	\$ -	\$ 702,529
Total Capital Assets, Depreciated	<u>\$ 1,955,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,955,606</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 117,881	\$ 6,267	\$ -	\$ 124,148
Infrastructure	\$ 167,957	\$ 85,594	\$ -	\$ 253,551
Machinery and equipment	\$ 611,561	\$ 24,145	\$ -	\$ 635,706
Total accumulated depreciation	<u>\$ 897,399</u>	<u>\$ 116,006</u>	<u>\$ -</u>	<u>\$ 1,013,405</u>
Total Capital Assets, depreciated, net	<u>\$ 1,058,207</u>	<u>\$ (116,006)</u>	<u>\$ -</u>	<u>\$ 942,201</u>
Governmental activities capital assets, net	<u><u>\$ 1,064,708</u></u>	<u><u>\$ (116,006)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 948,702</u></u>
Business Type Activities				
Capital assets, not depreciated				
Land	\$ 55,752	\$ -	\$ -	\$ 55,752
Construction in progress	\$ 62,442	\$ 827,347	\$ -	\$ 889,789
Total Capital Assets, not Depreciated	<u>\$ 118,194</u>	<u>\$ 827,347</u>	<u>\$ -</u>	<u>\$ 945,541</u>
Capital assets, depreciated				
Buildings and water/sewer system	\$ 14,719,293	\$ -	\$ -	\$ 14,719,293
Machinery and equipment	\$ 304,555	\$ 2,145	\$ -	\$ 306,700
Total Capital Assets, Depreciated	<u>\$ 15,023,848</u>	<u>\$ 2,145</u>	<u>\$ -</u>	<u>\$ 15,025,993</u>
Less accumulated depreciation for				
Buildings and water/sewer system	\$ 7,998,035	\$ 394,532	\$ -	\$ 8,392,567
Machinery and equipment	\$ 272,857	\$ 6,432	\$ -	\$ 279,289
Total accumulated depreciation	<u>\$ 8,270,892</u>	<u>\$ 400,964</u>	<u>\$ -</u>	<u>\$ 8,671,856</u>
Total Capital Assets, depreciated, net	<u>\$ 6,752,956</u>	<u>\$ (398,819)</u>	<u>\$ -</u>	<u>\$ 6,354,137</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 6,871,150</u></u>	<u><u>\$ 428,528</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,299,678</u></u>

TOWN OF POUND, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****June 30, 2014****8. CAPITAL ASSETS**

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

Governmental Activities:

General government	\$ 93,379
Public safety	22,389
Public works	<u>238</u>

Total Depreciation Expense – Governmental Activities \$ 116,006

Business-Type Activities:

Water and sewer	<u>\$ 400,964</u>
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Total Depreciation Expense – Business-Type Activities \$ 400,964

9. LONG-TERM DEBT

Annual requirements to amortize long-term debt and related interest for the enterprise funds are as follows:

Years Ending June 30,	Water Fund		Wastewater Fund		Total Enterprise Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	28,436	12,104	64,872	24,334	93,309	36,438
2016	34,897	20,670	66,308	21,745	101,205	42,415
2017	41,716	28,878	23,980	20,397	65,696	49,275
2018	42,377	28,218	24,880	19,497	67,256	47,714
2019	43,061	27,533	514,861	3,113	557,922	30,647
2020-2024	226,440	126,531	-	-	226,440	126,531
2025-2029	247,808	105,143	-	-	247,808	105,143
2030-2034	185,521	45,742	-	-	185,521	45,742
2035-2039	131,559	14,216	-	-	131,559	14,216
2040-2043	<u>32,675</u>	<u>827</u>	<u>-</u>	<u>-</u>	<u>32,675</u>	<u>827</u>
TOTALS	<u>\$1,014,490</u>	<u>\$409,862</u>	<u>\$ 694,901</u>	<u>\$ 89,086</u>	<u>\$1,709,391</u>	<u>\$498,948</u>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

9. LONG-TERM DEBT (Continued)

Annual requirements to amortize long-term debt and related interest for the governmental fund is as follows:

Years Ending June 30,	General Obligation Bond		TOTAL	
	Principal	Interest	Principal	Interest
2015	15,914	860	15,914	860
2016	371	121	371	121
TOTALS	<u>\$ 16,285</u>	<u>\$ 981</u>	<u>\$ 16,285</u>	<u>\$ 981</u>

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town of Pound for the year ended June 30, 2014:

	Total General Fund
Bonds/loans payable at 6/30/13	\$ 31,571
Additions	-
Retirements	(15,286)
Bonds/loans payable at 6/30/14	<u>\$ 16,285</u>

	Water General Obligation Bond	Water Revenue Bond	Water General Obligation Bond	Water General Obligation Bond	Water General Obligation Bond	Water Interim Financing
Principal due at 6/30/13	\$ 275,314	\$ 73,151	\$ 310,233	\$ 148,255	\$ -	\$ 60,996
Additions	-	-	-	-	235,395	-
Retirements	(5,289)	(4,067)	(11,281)	(7,220)	(-)	(60,996)
Principal due at 6/30/14	<u>\$ 270,025</u>	<u>\$ 69,084</u>	<u>\$ 298,952</u>	<u>\$ 141,035</u>	<u>\$ 235,395</u>	<u>\$ -</u>

	Sewer Improvement Bond	Sewer General Obligation Bond	Sewer Revenue Bond	Sewer General Obligation Bond	Total Enterprise Fund
Principal due at 6/30/13	\$ 123,990	\$ 282,973	\$ 331,154	\$ -	\$1,606,066
Additions	-	-	-	627,000	862,395
Retirements	(38,199)	(282,973)	(331,154)	(17,891)	(759,070)
Principal due at 6/30/14	<u>\$ 85,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,109</u>	<u>\$1,709,391</u>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

9. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness:

General Obligation Bonds and Note Payable:

Amount

\$195,000 General Obligation Bond Series of 1998 payable to First Virginia Bank in monthly installments of \$1,397.04 at a rate of 6% per year subject to adjustment not greater than 6% per year. Payments beginning on July 28, 1998, with the final payment due June 28, 2015.

\$ 16,285

TOTAL GENERAL OBLIGATION BONDS AND NOTES

\$ 16,285

Enterprise Funds:

\$740,000, 5%, Sewer System Bond dated April 5, 1976, payable to General Motors Acceptance Corporation in monthly installments of \$3,626 (including interest) due on the 5th of each month, commencing on April 5, 1978, and continuing for a period of 38 years.

\$ 85,791

\$585,605, 3.00% General Obligation Water Bond payable to the Virginia Resource Authority in semi-annual installments of \$15,027 on each January 1st and July 1st beginning January 1, 2016, with the final installment due January 1, 2045.

235,395

\$627,000, 3.69% General Obligation Sewer System Bond, series of 2013 payable to the First Bank & Trust Company in monthly installments of \$3,698 beginning September 28, 2013, with a balloon payment of the remaining principal and accrued interest due on August 28, 2018.

609,109

\$321,800, 4.50% General Obligation Water System Bond, series of 2000 payable to USDA Rural Development in monthly installments of \$1,461 (including interest), payments begin December 20, 2001, for 468 payments, with the final payment due November 20, 2040.

270,025

\$125,000, 0.00% Water System Revenue Bond, series of 2001 payable to the Virginia Water Supply Revolving Fund in semi-annual payments of \$2,083 beginning October 1, 2001, with the final installment due on April 1, 2031.

69,084

\$348,691, 0.00% General Obligation Water System Bond, series of 2012A payable to the Virginia Water Supply Revolving Fund in semi-annual payments of \$5,812 beginning March 1, 2012, with the final installment due on September 1, 2040.

298,952

\$216,592, 0.00% General Obligation Water System Bond, series of 2012B payable to the Virginia Water Supply Revolving Fund in semi-annual payments of \$3,610 beginning February 1, 2012, with the final installment due on August 1, 2040.

141,035

TOTAL ENTERPRISE FUND LONG-TERM DEBT

\$1,709,391

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

10. CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES (Continued)

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town of Pound has accrued the liability arising from outstanding claims and judgments and compensated absences. On April 19, 2014 the town implemented a new leave policy detailed below. At June 30, 2014, the Town of Pound had no outstanding general leave, earned but unpaid in the General Operating Fund or in the Enterprise Funds.

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

Employees with 0 to 10 years of service earn 5 hours of leave per pay period up to 130 hours, (40 hours sick leave and 90 hours personal leave). Employees with over 10 years of service earn 7.5 hours of leave per pay period up to 195 hours, (40 hours sick leave and 155 hours personal leave).

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

The following is a summary of compensated absences transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Additions/ Proceeds	Payments/ Reductions	Balance June 30, 2014
<u>General Operating Fund</u>				
Accrued Compensated Absences	\$ 112	\$ 8,599	\$ (8,711)	\$ -
<u>Enterprise Funds</u>				
Accrued Compensated Absences	\$ -	\$ 5,145	\$ (5,145)	\$ -

11. LEASE COMMITMENTS

The Town of Pound has a Capital Lease with Public Capital Corporation for a fire pumper truck to be utilized by the fire department. The lease requires annual payments of \$20,754.77 with final payment due August 1, 2018. Total principal and interest payments are \$200,150 and \$111,117, respectively. The outstanding principal balance at June 30, 2014 was \$86,583.

A summary of future minimum lease payments under the capital lease as of June 30, 2014, is as follows:

June 30, 2015	20,755
June 30, 2016	20,755
June 30, 2017	20,755
June 30, 2018	20,755
June 30, 2019	20,699
Total Minimum Lease Payments	103,719
Less Amount Representing Interest	(17,136)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 86,583

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

13. COMPLIANCE WITH BOND AGREEMENTS

According to Article V, Section 5.9 of the 1976 Sewer Revenue Bond Agreement, the Town Treasurer shall, on the first day of each month, transfer \$360 from the Revenue Fund to the Reserve Fund until there has been accumulated and maintained therein \$43,157 after which no further deposits shall be required except to eliminate any deficiency in the Reserve Fund. At June 30, 2014, the Town was in compliance with \$45,637 in the Debt Reserve Account.

According to Article VIII, Section 8.13 of the 2013 Water General Obligation Bond Agreement, the Town Treasurer shall, on the closing date of the bond, transfer \$10,000 from the town's available funds into a reserve account. Then on or before June 30, 2018 the town must deposit an amount equal to the Required Operating Reserve, which equal one-third of the prior fiscal years operation and maintenance expense. At June 30, 2014, the Town was in compliance with \$10,006 in the Debt Reserve Account.

Also, on the first day of each month, the Treasurer of the Town is supposed to transfer from the Revenue Fund to the Debt Service Fund an amount equal to the installment of principal and interest coming due on the bonds that month. At June 30, 2014, the Town of Pound had \$0 in the Debt Service account.

14. DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting such amounts are measurable, but not available. Deferred revenue totaling \$17,813 is comprised of the following:

Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$17,813 at June 30, 2014.

15. DEFICIT UNRESTRICTED NET POSITION

The Water and Sewer Enterprise Funds have deficit unrestricted net position of \$418,297 at June 30, 2014. However, after considering the net investment in capital assets, the Water and Sewer Enterprise Funds have a positive net position of \$5,233,711.

16. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

All full-time, salaried permanent (professional) 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:

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>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")</p> <ul style="list-style-type: none"> • 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.
<p>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.</p>	<p>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.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1,

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>Eligible Members (continued) 2014</p> <ul style="list-style-type: none"> • 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 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>
<p>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</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>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</p>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>they are withdrawn as part of a Retirement Contributions (continued) 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.</p>		<p>the employer. Additionally, Retirement Contributions (continued) 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.</p>
<p>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.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may e</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>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</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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</p>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>retirement if they meet the age and Vesting (continued) 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>Plan when they reach five years (60 Vesting Defined Benefit Component (continued) 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.</p> <p>Defined Contributions 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none">• 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. <p>Distribution is not required by law until age 70½.</p>
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TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1</p> <p><u>Defined Contribution Component:</u> 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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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.</p>	<p>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.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>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.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving</p>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

		employment, subject to restrictions.
<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p>	<p>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.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of</p>	<p>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%.</p> <p><u>Eligibility:</u> Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>creditable service, the COLA will go into effect on July 1 after one full <u>Eligibility: (continued)</u> calendar year from the retirement date.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>
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TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 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.</p> <p>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.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF POUND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (Continued)

A. Plan Description (Continued)

The System issues a publicly available comprehensive annual report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publication/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% of their compensation toward their retirement. All or part of the 5% 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 of Pound, Virginia 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 9.48% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2014, The Town of Pound's annual pension cost of \$23,871 was equal to the Town's required and actual contributions.

Three Year Trend Information for the Town of Pound, Virginia

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Percentage Net Pension Obligation</u>
June 30, 2012	44,218	100.0%	-
June 30, 2013	33,742	100.0%	-
June 30, 2014	23,871	100.0%	-

The FY 2014 required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2013 included (a) an investment rate of return (net of administrative expenses) of 7.0% (b) projected salary increases of 3.75% to 5.60% per year for general government employees and 3.5% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.50% per year for Plan 1 employees and 2.25% for plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013 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 78.48% funded. The actuarial accrued liability for benefits was \$1,266,371, resulting in an unfunded actuarial accrued liability (UAAL) of \$272,478. The covered payroll (annual payroll of active employees covered by the plan) was \$289,398, and ratio of the UAAL to the covered payroll was 94.15%.

TOWN OF POUND, VIRGINIA**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

16. DEFINED BENEFIT PENSION PLAN (Continued)**D. Funded Status and Funding Progress (Continued)**

The schedule of funding progress, presented as Required Supplementary Information following these notes, 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 of Pound, Virginia**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2011	900,901	1,063,522	162,621	84.71%	372,287	43.68%
June 30, 2012	944,341	1,159,077	214,736	81.47%	388,107	55.33%
June 30, 2013	993,893	1,266,371	272,478	78.48%	289,398	94.15%

17. SURETY BONDS

The Town of Pound has employee dishonesty coverage with Virginia Municipal Liability Pool covering the following Town positions at the stated amount:

<u>Position</u>	<u>Amount</u>
Mayor	\$ 100,000
Treasurer/Clerk	100,000
Clerical	100,000

The policy is for a one year term with coverage extending from July 1, 2013 until July 1, 2014.

TOWN OF POUND, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL -
GENERAL FUND (NON-GAAP) BUDGETARY BASIS
For the Year Ended June 30, 2014

SCHEDULE 1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 231,045	\$ 231,045	\$ 190,820	\$ (40,225)
Other local taxes	333,067	333,067	285,227	(47,840)
Fines and forfeitures	30,000	30,000	8,682	(21,318)
Revenues from use of money and property	-	-	-	-
Charges for services	66,000	66,000	54,284	(11,716)
Miscellaneous	5,200	5,200	13,365	8,165
Intergovernmental	60,688	60,688	56,945	(3,743)
Total Revenues	<u>726,000</u>	<u>726,000</u>	<u>609,323</u>	<u>(116,677)</u>
EXPENDITURES				
General government administration	215,450	215,450	191,352	24,098
Public safety - police department	327,650	327,650	243,988	83,662
Public safety - fire department	16,000	16,000	19,734	(3,734)
Public works - street department	84,300	84,300	42,771	41,529
Public works - garbage department	45,000	45,000	43,187	1,813
Debt service				
Principal retirement	37,600	37,600	29,642	7,958
Interest and fiscal charges	-	-	7,877	(7,877)
Total Expenditures	<u>726,000</u>	<u>726,000</u>	<u>578,551</u>	<u>147,449</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	-	-
Total Other Sources of Financial Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,772</u>	<u>\$ 30,772</u>