

TOWN OF PEARISBURG, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**TOWN OF PEARISBURG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

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**TOWN OF PEARISBURG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

TOWN OF PEARISBURG, VIRGINIA

TOWN COUNCIL

Robert L. Dickerson, Mayor

Kristi Eaton

Judy R. Harrell

Colin Munsey

George G. Psathas

Charles R. Via

Jimmie R. Williams

OTHER OFFICIALS

Kenneth F. Vittum	Town Manger/Treasurer
Regina Harless.....	Town Clerk
Lorrie Mitchell.....	Town Finance Director
James A. Hartley.....	Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of Council
Town of Pearisburg, Virginia
Pearisburg, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town of Pearisburg, Virginia adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 and the schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 Information

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

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of the Town of Pearisburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pearisburg, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, & Associates

Blacksburg, Virginia
February 5, 2014

BASIC FINANCIAL STATEMENTS

Town of Pearisburg, Virginia
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 582,994	\$ 613,873	\$ 1,196,867
Receivables (net of allowance for uncollectibles):			
Taxes receivable	93,163	-	93,163
Accounts receivable	60,328	183,590	243,918
Internal balances	144,735	(144,735)	-
Due from other governmental units	7,141	-	7,141
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	-	16,575	16,575
Capital assets (net of accumulated depreciation):			
Land	182,067	-	182,067
Buildings and improvements	3,027,171	-	3,027,171
Improvements other than buildings	1,712,265	-	1,712,265
Machinery and equipment	863,261	118,971	982,232
Infrastructure	-	3,830,781	3,830,781
Construction in progress	-	1,609,227	1,609,227
Total assets	<u>\$ 6,673,125</u>	<u>\$ 6,228,282</u>	<u>\$ 12,901,407</u>
LIABILITIES			
Accounts payable	\$ 38,201	\$ 53,538	\$ 91,739
Accrued liabilities	27,230	84,402	111,632
Customers' deposits	-	16,575	16,575
Accrued interest payable	80,759	11,451	92,210
Long-term liabilities:			
Due within one year	231,992	176,523	408,515
Due in more than one year	2,821,727	2,570,716	5,392,443
Total liabilities	<u>\$ 3,199,909</u>	<u>\$ 2,913,205</u>	<u>\$ 6,113,114</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - prepaid taxes	\$ 2,535	\$ -	\$ 2,535
Total deferred inflows of resources	<u>\$ 2,535</u>	<u>\$ -</u>	<u>\$ 2,535</u>
NET POSITION			
Net investment in capital assets	\$ 3,005,533	\$ 2,826,640	\$ 5,832,173
Unrestricted	465,148	488,437	953,585
Total net position	<u>\$ 3,470,681</u>	<u>\$ 3,315,077</u>	<u>\$ 6,785,758</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 559,957	\$ 3,225	\$ -	\$ -	\$ (556,732)	\$ -	\$ (556,732)
Public safety	793,064	107,174	113,451	-	(572,439)	-	(572,439)
Public works	847,786	12,423	511,417	-	(323,946)	-	(323,946)
Parks, recreation, and cultural	477,905	49,604	48,751	-	(379,550)	-	(379,550)
Community development	8,502	-	-	-	(8,502)	-	(8,502)
Interest on long-term debt	112,448	-	-	-	(112,448)	-	(112,448)
Total governmental activities	\$ 2,799,662	\$ 172,426	\$ 673,619	\$ -	\$ (1,953,617)	\$ -	\$ (1,953,617)
Business-type activities:							
Water	\$ 803,130	\$ 646,000	\$ -	\$ 5,244	\$ -	\$ (151,886)	\$ (151,886)
Sewer	449,432	468,222	-	3,000	-	21,790	21,790
Total business-type activities	\$ 1,252,562	\$ 1,114,222	\$ -	\$ 8,244	\$ -	\$ (130,096)	\$ (130,096)
Total primary government	\$ 4,052,224	\$ 1,286,648	\$ 673,619	\$ 8,244	\$ (1,953,617)	\$ (130,096)	\$ (2,083,713)
General revenues:							
General property taxes	\$	673,805	\$	-	\$	-	\$ 673,805
Other local taxes:							
Local sales and use taxes					135,083	-	135,083
Consumers' utility taxes					58,402	-	58,402
Business license taxes					237,638	-	237,638
Consumption tax					13,131	-	13,131
Motor vehicle licenses					36,052	-	36,052
Bank stock tax					84,848	-	84,848
Restaurant food taxes					339,161	-	339,161
Other local taxes					9,455	-	9,455
Unrestricted revenues from use of money and property					17,316	2,242	19,558
Miscellaneous					89,360	-	89,360
Grants and contributions not restricted to specific programs					137,640	-	137,640
Transfers					18,113	(18,113)	-
Total general revenues and transfers	\$	1,850,004	\$	(15,871)	\$	1,834,133	\$ 1,834,133
Change in net position	\$	(103,613)	\$	(145,967)	\$	(249,580)	\$ (249,580)
Net position - beginning		3,574,294		3,461,044		7,035,338	
Net position - ending	\$	3,470,681	\$	3,315,077	\$	6,785,758	\$ 6,785,758

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

Town of Pearisburg, Virginia
Balance Sheet
Governmental Fund
June 30, 2013

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 582,994
Receivables (net of allowance for uncollectibles):	
Taxes receivable	93,163
Accounts receivable	60,328
Due from other funds	144,735
Due from other governmental units	7,141
Total assets	<u>\$ 888,361</u>
LIABILITIES	
Accounts payable	\$ 38,201
Accrued liabilities	27,230
Total liabilities	<u>\$ 65,431</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 89,166
Unavailable revenue - prepaid taxes	2,535
Total deferred inflows of resources	<u>\$ 91,701</u>
FUND BALANCES	
Committed (See Note 13)	\$ 453,743
Unassigned	277,486
Total fund balance	<u>\$ 731,229</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 888,361</u>

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

Town of Pearisburg, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
To the Statement of Net Position
June 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	731,229
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	182,067	
Buildings and improvements		3,027,171	
Infrastructure		1,712,265	
Machinery and equipment		863,261	
			5,784,764

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes		89,166
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$	(2,749,571)	
Capital leases		(29,660)	
Accrued interest payable		(80,759)	
Compensated absences		(116,360)	
Net OPEB Obligation		(158,128)	
			(3,134,478)

Net position of governmental activities	\$	3,470,681
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The notes to the financial statements are an integral part of this statement.

Town of Pearisburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2013

	<u>General</u>
REVENUES	
General property taxes	\$ 648,560
Other local taxes	913,770
Permits, privilege fees, and regulatory licenses	10,521
Fines and forfeitures	49,713
Revenue from the use of money and property	17,316
Charges for services	112,192
Miscellaneous	89,360
Recovered costs	61,487
Intergovernmental revenues:	
Commonwealth	779,218
Federal	32,041
Total revenues	<u>\$ 2,714,178</u>
EXPENDITURES	
Current:	
General government administration	\$ 506,006
Public safety	783,578
Public works	680,362
Parks, recreation, and cultural	472,686
Capital projects	298,937
Debt service:	
Principal retirement	98,396
Interest and other fiscal charges	66,192
Total expenditures	<u>\$ 2,906,157</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (191,979)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 18,113
Issuance of general obligation bonds	328,523
Total other financing sources (uses)	<u>\$ 346,636</u>
Net change in fund balances	\$ 154,657
Fund balances - beginning	576,572
Fund balances - ending	<u><u>\$ 731,229</u></u>

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

Town of Pearisburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
To the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	154,657
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 259,773	
Depreciation expenses	<u>(231,060)</u>	
		28,713

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		25,245
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of general obligation bonds	\$ (328,523)	
Principal repayments:		
General obligation bonds and capital leases	<u>98,396</u>	
		(230,127)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Decrease (increase) in compensated absences	\$ (9,168)	
Decrease (increase) in accrued interest payable	(46,256)	
Decrease (increase) in net OPEB obligation	<u>(26,677)</u>	
		(82,101)

Change in net position of governmental activities	\$	<u><u>(103,613)</u></u>
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The notes to the financial statements are an integral part of this statement

Town of Pearisburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund	Enterprise Fund	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 422,858	\$ 191,015	\$ 613,873
Accounts receivable	106,428	77,162	183,590
Due from other funds	9,570	7,061	16,631
Total current assets	<u>\$ 538,856</u>	<u>\$ 275,238</u>	<u>\$ 814,094</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	\$ 16,575	\$ -	\$ 16,575
Total restricted current assets	<u>\$ 16,575</u>	<u>\$ -</u>	<u>\$ 16,575</u>
Capital assets:			
Utility plant in service	\$ 1,421,528	\$ 5,215,007	\$ 6,636,535
Machinery and equipment	220,450	133,275	353,725
Accumulated depreciation	(879,438)	(2,161,070)	(3,040,508)
Construction in progress	1,263,243	345,984	1,609,227
Total capital assets	<u>\$ 2,025,783</u>	<u>\$ 3,533,196</u>	<u>\$ 5,558,979</u>
Total noncurrent assets	<u>\$ 2,042,358</u>	<u>\$ 3,533,196</u>	<u>\$ 5,575,554</u>
Total assets	<u>\$ 2,581,214</u>	<u>\$ 3,808,434</u>	<u>\$ 6,389,648</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 46,888	\$ 6,650	\$ 53,538
Construction payables	84,402	-	84,402
Customers' deposits	16,575	-	16,575
Accrued interest payable	1,858	9,593	11,451
Due to other funds	94,118	67,248	161,366
Compensated absences - current portion	6,438	4,737	11,175
Bonds payable - current portion	32,745	101,631	134,376
Capital lease - current portion	30,972	-	30,972
Total current liabilities	<u>\$ 313,996</u>	<u>\$ 189,859</u>	<u>\$ 503,855</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 2,146	\$ 1,579	\$ 3,725
Bonds payable - net of current portion	1,602,171	900,013	2,502,184
Capital lease - net of current portion	64,807	-	64,807
Total noncurrent liabilities	<u>\$ 1,669,124</u>	<u>\$ 901,592</u>	<u>\$ 2,570,716</u>
Total liabilities	<u>\$ 1,983,120</u>	<u>\$ 1,091,451</u>	<u>\$ 3,074,571</u>
NET POSITION			
Net investment in capital assets	\$ 295,088	\$ 2,531,552	\$ 2,826,640
Unrestricted	303,006	185,431	488,437
Total net position	<u><u>\$ 598,094</u></u>	<u><u>\$ 2,716,983</u></u>	<u><u>\$ 3,315,077</u></u>

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

Town of Pearisburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund	Enterprise Fund	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 570,364	\$ -	\$ 570,364
Sewer revenues	-	468,222	468,222
Other revenues	75,636	-	75,636
Total operating revenues	<u>\$ 646,000</u>	<u>\$ 468,222</u>	<u>\$ 1,114,222</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 224,828	\$ 152,088	\$ 376,916
Utilities	40,132	39,101	79,233
Maintenance, repairs and operational supplies	66,488	70,063	136,551
Office expense	28,118	3,200	31,318
Insurance	12,222	8,835	21,057
Professional Services	47,451	-	47,451
Water purchases	300,086	-	300,086
Training	150	237	387
Miscellaneous	4,836	2,514	7,350
Depreciation	51,993	141,229	193,222
Total operating expenses	<u>\$ 776,304</u>	<u>\$ 417,267</u>	<u>\$ 1,193,571</u>
Operating income (loss)	<u>\$ (130,304)</u>	<u>\$ 50,955</u>	<u>\$ (79,349)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ -	\$ 2,242	\$ 2,242
Interest expense	(26,826)	(32,165)	(58,991)
Total nonoperating revenues (expenses)	<u>\$ (26,826)</u>	<u>\$ (29,923)</u>	<u>\$ (56,749)</u>
Income before contributions and transfers	<u>\$ (157,130)</u>	<u>\$ 21,032</u>	<u>\$ (136,098)</u>
Capital contributions	\$ 5,244	\$ 3,000	\$ 8,244
Transfers in	-	203,287	203,287
Transfers out	(221,400)	-	(221,400)
Change in net position	<u>\$ (373,286)</u>	<u>\$ 227,319</u>	<u>\$ (145,967)</u>
Total net position - beginning	<u>\$ 971,380</u>	<u>\$ 2,489,664</u>	<u>\$ 3,461,044</u>
Total net position - ending	<u>\$ 598,094</u>	<u>\$ 2,716,983</u>	<u>\$ 3,315,077</u>

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

Town of Pearisburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 660,321	\$ 469,068	\$ 1,129,389
Payments to suppliers	(482,290)	(120,033)	(602,323)
Payments to and for employees	(227,587)	(151,077)	(378,664)
Net cash provided by (used for) operating activities	<u>\$ (49,556)</u>	<u>\$ 197,958</u>	<u>\$ 148,402</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (221,400)	\$ -	\$ (221,400)
Transfers from other funds	-	203,287	203,287
Advances from other funds	11,250	7,290	18,540
Net cash provided by (used for) noncapital financing activities	<u>\$ (210,150)</u>	<u>\$ 210,577</u>	<u>\$ 427</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Construction in progress additions	\$ (922,351)	\$ (203,287)	\$ (1,125,638)
Principal payments on bonds	(6,448)	(98,651)	(105,099)
Principal payments on capital leases	(30,055)	-	(30,055)
Capital contributions	5,244	3,000	8,244
Proceeds from indebtedness	1,151,814	-	1,151,814
Interest payments	(25,630)	(33,047)	(58,677)
Net cash provided by (used for) capital and related financing activities	<u>\$ 172,574</u>	<u>\$ (331,985)</u>	<u>\$ (159,411)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ -	\$ 2,242	\$ 2,242
Net cash provided by (used for) investing activities	<u>\$ -</u>	<u>\$ 2,242</u>	<u>\$ 2,242</u>
Net increase (decrease) in cash and cash equivalents	\$ (87,132)	\$ 78,792	\$ (8,340)
Cash and cash equivalents - beginning (including restricted of \$13,275)	\$ 526,565	\$ 112,223	\$ 638,788
Cash and cash equivalents - ending (including restricted of \$16,575)	<u>\$ 439,433</u>	<u>\$ 191,015</u>	<u>\$ 630,448</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (130,304)	\$ 50,955	\$ (79,349)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 51,993	\$ 141,229	\$ 193,222
(Increase) decrease in accounts receivable	11,021	846	11,867
Increase (decrease) in customer deposits	3,300	-	3,300
Increase (decrease) in accounts payable	17,193	3,917	21,110
Increase (decrease) in compensated absences	(2,759)	1,011	(1,748)
Total adjustments	<u>\$ 80,748</u>	<u>\$ 147,003</u>	<u>\$ 227,751</u>
Net cash provided by (used for) operating activities	<u>\$ (49,556)</u>	<u>\$ 197,958</u>	<u>\$ 148,402</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF PEARISBURG, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established by GAAP and used by the Town are discussed below.

A. Financial Reporting Entity:

The Town of Pearisburg, Virginia (government) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. 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.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

Governmental fund financial statements are reported using the *current financial resources 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds. The general fund includes activity of the following funds: eastside cemetery fund, park fund, repair/replacement fund, adult day care fund, downtown grant, library expansion fund, fire truck fund, community center fund, and fire department fund. The Town maintains these funds separately in internal financial statements; however, for financial reporting purposes these funds are merged with the general fund.

The government reports the following major proprietary funds:

Proprietary funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary funds consist of enterprise funds.

Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise funds consist of the water fund and the sewer fund.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function 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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on March 15th. Personal property taxes are due and collectible annually on March 15th. The Town bills and collects its own property taxes.

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 \$18,385 at June 30, 2013 and is comprised solely of property taxes. Historically, the Town's water and sewer funds have not had significant write offs of uncollectible accounts, therefore an allowance for uncollectible accounts is not necessary.

Note 1-Summary of Significant Accounting Policies: (continued)**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)****4. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

6. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

8. Fund equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town of Pearisburg, Virginia's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned, as they are needed.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

8. Fund equity (continued)

The Town of Pearisburg, Virginia establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

10. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

11. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation.

12. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any deferred outflows of resources as of June 30, 2013.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

13. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and prepaid amounts and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid amounts are reported as deferred inflows of resources.

14. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

15. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

16. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General Fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Deficit fund equity

At June 30, 2013, there were no funds with deficit fund equity.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 3-Deposits and Investments:

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

At June 30, 2013 the Town had no investments.

Note 4-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 18,113	\$ -
Water and Sewer Funds	203,287	221,400
Total	<u>\$ 221,400</u>	<u>\$ 221,400</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Interfund balances for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Primary Government:		
General Fund	\$ 144,735	\$ -
Water Fund	9,570	(94,118)
Sewer Fund	7,061	(67,248)
Total	<u>\$ 161,366</u>	<u>\$ (161,366)</u>

This amount is comprised of various advances made to the Water and Sewer Funds over the past several years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Non-categorical aid	\$ 7,141
Total	<u>\$ 7,141</u>

Note 6-Long-Term Obligations:Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the governmental activities for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>
Capital Leases (Note 7)	\$ 64,014	\$ -	\$ (34,354)	\$ 29,660
Bonds Payable	2,485,090	328,523	(64,042)	2,749,571
Net OPEB Obligation	131,451	60,634	(33,957)	158,128
Compensated Absences	107,192	89,562	(80,394)	116,360
Total	<u>\$ 2,787,747</u>	<u>\$ 478,719</u>	<u>\$ (212,747)</u>	<u>\$ 3,053,719</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

Note 6-Long-Term Obligations: (continued)Primary Government - Governmental Activities Obligations: (continued)

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

Year Ending June 30,	Bonds Payable	
	Principal	Interest
2014	\$ 115,062	\$ 96,239
2015	116,310	105,943
2016	121,136	101,117
2017	126,167	96,086
2018	131,411	90,841
2019-2023	494,715	380,667
2034-2028	362,618	294,501
2029-2033	442,756	214,363
2034-2038	540,603	116,515
2039-2043	298,793	14,995
Totals	<u>\$ 2,749,571</u>	<u>\$ 1,511,267</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (continued)Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable</u>		
\$700,000 Rural Development Communities Facilities Loan issued January 28, 1996 bearing interest at 5% annually. Principal and interest payments of \$49,672 begin on January 28, 1997 and continue annually for twenty-five (25) years or until debt is satisfied.	\$ 350,974	\$ 39,527
\$348,000 General obligation bond issued April 24, 2009 bearing interest at 3.38%. Principal and interest payments of \$3,430 are due monthly through April 2019.	217,282	34,363
\$2,564,672 Fire Station Bond, Series 2011A bearing interest at 4% annually. Interest only payments are due on the first and second anniversaries of the date of the Bond. Principal and interest payments of \$10,952 are due thereafter monthly through the 456th payment date. As of June 30, 2013, \$2,181,314 had been drawn down.	<u>2,181,315</u>	<u>41,172</u>
Total Bonds Payable	<u>\$ 2,749,571</u>	<u>\$ 115,062</u>
<u>Other Obligations:</u>		
Capital Leases (Note 7)	\$ 29,660	\$ 29,660
Net OPEB Obligation	158,128	-
Compensated absences	<u>116,360</u>	<u>87,270</u>
Total Other Obligations	<u>\$ 304,148</u>	<u>\$ 116,930</u>
Total Long-Term Obligations	<u>\$ 3,053,719</u>	<u>\$ 231,992</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (continued)Primary Government-Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Funds for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue bond	\$ 784,352	\$ -	\$ (49,835)	\$ 734,517
Bonds payable	805,493	1,151,814	(55,264)	1,902,043
Capital leases (Note 7)	125,834	-	(30,055)	95,779
Compensated absences	16,648	10,738	(12,486)	14,900
Total	<u>\$ 1,732,327</u>	<u>\$ 1,162,552</u>	<u>\$ (147,640)</u>	<u>\$ 2,747,239</u>

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

Year Ending June 30,	Bonds Payable		Revenue Bond	
	Principal	Interest	Principal	Interest
2014	\$ 83,037	\$ 37,341	\$ 51,339	\$ 22,384
2015	88,225	37,830	52,943	20,780
2016	90,526	35,529	54,597	19,126
2017	92,889	33,166	56,303	17,421
2018	95,316	30,739	58,062	15,662
2019-2023	205,340	135,280	318,676	49,940
2024-2028	226,917	113,703	142,597	4,850
2029-2033	250,761	89,589	-	-
2034-2038	277,111	63,509	-	-
2039-2043	306,230	34,390	-	-
2044-2048	185,691	5,413	-	-
Totals	<u>\$ 1,902,043</u>	<u>\$ 616,489</u>	<u>\$ 734,517</u>	<u>\$ 150,163</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (continued)Primary Government-Business-type Activities Obligations: (continued)Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable</u>		
\$922,939 general obligation bond bearing interest at 3.0% issued in December 1996 due in semi-annual installments of \$31,430 including principal and interest through April 2018.	\$ 267,126	\$ 50,292
\$1,843,000 Water and Sewer Facilities Bond, Series 2012A bearing interest at 2.0% annually. Interest payment only is due on the first anniversary of the date of the Bond. Principal and interest payments of \$5,677 are due monthly through the 468th payment date. As of June 30, 2013, \$1,641,365 had been drawn down.	1,634,917	32,745
Total Bonds Payable	\$ 1,902,043	\$ 83,037
<u>Revenue Bond:</u>		
\$959,425 revenue bond bearing interest at 3.1% issued May 28, 2004 due in semi-annual installments of \$37,795 including principal and interest beginning March 1, 2006 through September 1, 2025.	\$ 734,517	\$ 51,339
<u>Other Obligations:</u>		
Capital leases (see Note 7)	\$ 95,779	\$ 30,972
Compensated absences	14,900	11,175
Total Long-Term Obligations	\$ 2,747,239	\$ 176,523

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 7-Capital Leases:Primary Government:

The Town has entered into lease agreements for the acquisition of land and a building. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Building	\$ 287,484
Land	12,516
Less: Accumulated depreciation	<u>(66,495)</u>
 Total	 <u>\$ 233,505</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013, were as follows:

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>
2014	\$ 30,188
Total minimum lease payments	<u>\$ 30,188</u>
Less: amount representing interest	<u>(528)</u>
Present value of minimum lease payments	<u>\$ 29,660</u>

Business-type activities:

The Town has entered into lease agreements for the acquisition of numerous radio read meters. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases were (individually) below the Town's capitalization threshold and, therefore, are not shown on the books as capital assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

Note 7-Capital Leases: (continued)Business-type activities: (continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013, were as follows:

Fiscal Year Ended	Business-type Activities
2014	33,893
2015	33,893
2016	33,893
Total minimum lease payments	\$ 101,679
Less: amount representing interest	(5,900)
Present value of minimum lease payments	\$ 95,779

Note 8-Employee Retirement System and Defined Benefit Pension Plan:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Note 8-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

A. Plan Description (continued)

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

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town of Pearisburg, 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 of Pearisburg, Virginia's contribution rate for the fiscal year ended 2013 was 11.60% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town of Pearisburg, Virginia's annual pension cost of \$139,439 was equal to the Town of Pearisburg, Virginia's required and actual contributions.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
Town	6/30/2013	\$ 139,439	100.00%	\$ -
	6/30/2012	78,587	100.00%	-
	6/30/2011	78,294	100.00%	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 8-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 71.33% funded. The actuarial accrued liability for benefits was \$6,107,834, and the actuarial value of assets was \$4,356,814, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,751,020. The covered payroll (annual payroll of active employees covered by the plan) was \$1,127,457, and ratio of the UAAL to the covered payroll was 155.31%.

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

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 151,539	\$ 30,528	\$ -	\$ 182,067
Construction in progress	2,066,069	-	(2,066,069)	-
Total capital assets not being depreciated	<u>\$ 2,217,608</u>	<u>\$ 30,528</u>	<u>\$ (2,066,069)</u>	<u>\$ 182,067</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,815,596	\$ 2,219,243	\$ -	\$ 4,034,839
Improvements other than buildings	1,862,703	-	-	1,862,703
Machinery and equipment	1,916,530	76,071	(25,000)	1,967,601
Total capital assets being depreciated	<u>\$ 5,594,829</u>	<u>\$ 2,295,314</u>	<u>\$ (25,000)</u>	<u>\$ 7,865,143</u>
Accumulated depreciation:				
Buildings and improvements	\$ (948,450)	\$ (59,218)	\$ -	\$ (1,007,668)
Improvements other than buildings	(75,888)	(74,550)	-	(150,438)
Machinery and equipment	(1,032,048)	(97,292)	25,000	(1,104,340)
Total accumulated depreciation	<u>\$ (2,056,386)</u>	<u>\$ (231,060)</u>	<u>\$ 25,000</u>	<u>\$ (2,262,446)</u>
Total capital assets being depreciated, net	<u>\$ 3,538,443</u>	<u>\$ 2,064,254</u>	<u>\$ -</u>	<u>\$ 5,602,697</u>
Governmental activities capital assets, net	<u>\$ 5,756,051</u>	<u>\$ 2,094,782</u>	<u>\$ (2,066,069)</u>	<u>\$ 5,784,764</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 9-Capital Assets: (continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Utility plant and equipment	\$ 6,636,535	\$ -	\$ -	\$ 6,636,535
Machinery and equipment	353,725	-	-	353,725
Construction in progress	663,705	945,522	-	1,609,227
Total capital assets being depreciated	<u>\$ 7,653,965</u>	<u>\$ 945,522</u>	<u>\$ -</u>	<u>\$ 8,599,487</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (2,645,173)	\$ (160,581)	\$ -	\$ (2,805,754)
Machinery and equipment	(202,113)	(32,641)	-	(234,754)
Total accumulated depreciation	<u>\$ (2,847,286)</u>	<u>\$ (193,222)</u>	<u>\$ -</u>	<u>\$ (3,040,508)</u>
Total capital assets being depreciated, net	<u>\$ 4,806,679</u>	<u>\$ 752,300</u>	<u>\$ -</u>	<u>\$ 5,558,979</u>
Business-type activities capital assets, net	<u>\$ 4,806,679</u>	<u>\$ 752,300</u>	<u>\$ -</u>	<u>\$ 5,558,979</u>

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

Governmental activities:

General government administration	\$ 34,954
Public safety	77,982
Public works	99,004
Parks, recreation, and cultural	<u>19,120</u>

Total depreciation expense - governmental activities	<u>\$ 231,060</u>
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Business-type activities:

Water	\$ 51,993
Sewer	<u>141,229</u>

Total depreciation expense - business-type activities	<u>\$ 193,222</u>
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Note 10-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of property, general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11-Other Postemployment Benefits – Health Insurance:

Beginning in fiscal year 2010, the Town of Pearisburg implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) including healthcare and other non-pension benefits offered to retirees. This standard determines how the Town of Pearisburg should account for and report its costs related to postemployment healthcare. GASB Statement No. 45 requires that the Town of Pearisburg recognize the cost of retiree health benefits during the period of active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability (UAAL) in order to accurately account for the total future cost of postemployment benefits and their financial impact.

A. Plan Description

The Town of Pearisburg allows retirees to participate in health insurance programs that are offered. To participate, a retiree must have reached age 50 and completed at least 10 years of full-time service. Retirees are required to contribute 100% of their health insurance premiums to the Town of Pearisburg. The retirees' health insurance rates are not age adjusted; rather the retirees pay the same premium as active employees.

B. Funding Policy

The contribution requirements of the Town of Pearisburg and the plan members are established and may be amended by the Town of Pearisburg. The Town of Pearisburg currently pays for post-retirement health care benefits on a pay-as-you-go basis. Retirees are responsible for the payment of 100% of the health care insurance rates shown below:

<u>Participants</u>	<u>Monthly Premium</u>
Employee	\$ 523.00
Employee / Spouse	968.00
Family	1,412.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 11-Other Postemployment Benefits – Health Insurance: (Continued)C. Annual OPEB Cost and Net OPEB Obligation

The Town of Pearisburg is required to compute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the change in the net OPEB obligation:

Annual required contribution	\$	59,758
Interest on net OPEB obligation		5,258
Adjustment to annual required contribution		(4,382)
Annual OPEB cost (expense)		60,634
Contributions made		(33,957)
Increase in net OPEB obligation		26,677
Net OPEB obligation - beginning of year		131,451
Net OPEB obligation - ending of year	\$	158,128

The Town of Pearisburg's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 60,634	56%	\$ 158,128
6/30/2012	60,359	32%	131,451
6/30/2011	60,072	28%	90,164

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	818,047
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	818,047
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (annual payroll of active employees covered by the plan)	\$	1,063,854
UAAL as a percentage of covered payroll		76.89%

Note 11-Other Postemployment Benefits – Health Insurance: (Continued)D. Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and inflation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2010 actuarial valuation, the entry age actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility.

The actuarial assumptions for the Town of Pearisburg include:

	<u>Assumptions</u>
Amortization period	30 years
Investment rate of return	4%
Payroll growth	3.75%
Age adjustment factor	2.094552
Health Contribution rate	4.2% graded to 5.6% over ten years

The UAAL is being amortized as a level percentage of payroll over the remaining amortization period, which at June 30, 2010, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 12-Surety Bonds:

Primary Government:

Selective Insurance

All employees-Blanket Bond	\$ 5,000
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Position Bonds:

Treasurer and/or Town Clerk	100,000
Town Manager	100,000
Mayor	100,000
Engineer	100,000

Note 13-Committed Funds:

<i>Committed Funds</i>	<i>Balance</i>
Library Donation Fund	\$ 13,521
Downtown Grant Fund	300
Fire Truck Fund	75,308
Community Center Fund	7,055
Fire Department Fund	357,559
	<hr/>
Total	\$ 453,743

Note 14-Deferred Inflows of Resources:

At June 30, 2013, the Town's deferred inflows of resources consisted of the following:

	Government-wide Statements <hr/> Governmental Activities	Balance Sheet <hr/> Governmental Funds
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 89,166
Prepaid taxes relating to taxes due in a future period	2,353	2,535
	<hr/>	<hr/>
Total deferred inflows of resources	\$ 2,353	\$ 91,701
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 15-Upcoming Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require governments with defined benefit pension plans to disclose a "net pension liability" on their balance sheets. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. These standards will be effective for fiscal years ending June 30, 2014 (67) and June 30, 2015 (68). The Town believes the implementation of Statement No. 68 will significantly impact the Town's net position; however, no formal study or estimate of the impact of this standard has been performed.

Note 16-Commitments:

The Town was involved in a major construction project during the fiscal year, as presented below:

<u>Project</u>	<u>Contract Amount</u>	<u>Outstanding at June 30, 2013</u>
Water & Sewer System Improvements	\$ 1,433,283	\$ 89,892

REQUIRED SUPPLEMENTARY INFORMATION

Town of Pearisburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 635,750	\$ 635,750	\$ 648,560	\$ 12,810
Other local taxes	907,000	907,000	913,770	6,770
Permits, privilege fees, and regulatory licenses	10,500	10,500	10,521	21
Fines and forfeitures	48,650	48,650	49,713	1,063
Revenue from the use of money and property	12,000	12,000	17,316	5,316
Charges for services	121,200	121,200	112,192	(9,008)
Miscellaneous	50,256	50,256	89,360	39,104
Recovered costs	44,175	44,175	61,487	17,312
Intergovernmental revenues:				
Commonwealth	761,874	761,874	779,218	17,344
Federal	11,932	11,932	32,041	20,109
Total revenues	<u>\$ 2,603,337</u>	<u>\$ 2,603,337</u>	<u>\$ 2,714,178</u>	<u>\$ 110,841</u>
EXPENDITURES				
Current:				
General government administration	\$ 490,674	\$ 490,674	\$ 506,006	\$ (15,332)
Public safety	859,919	859,919	783,578	76,341
Public works	696,019	696,019	680,362	15,657
Parks, recreation, and cultural	454,308	454,308	472,686	(18,378)
Capital projects	636,081	636,081	298,937	337,144
Debt service:				
Principal retirement	68,630	68,630	98,396	(29,766)
Interest and other fiscal charges	40,312	40,312	66,192	(25,880)
Total expenditures	<u>\$ 3,245,943</u>	<u>\$ 3,245,943</u>	<u>\$ 2,906,157</u>	<u>\$ 339,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (642,606)</u>	<u>\$ (642,606)</u>	<u>\$ (191,979)</u>	<u>\$ 450,627</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 143,057	\$ 143,057	\$ 18,113	\$ (124,944)
Transfers out	(100,000)	(100,000)	-	100,000
Issuance of general obligation bonds	600,000	600,000	328,523	(271,477)
Sale of capital assets	100	100	-	(100)
Total other financing sources (uses)	<u>\$ 643,157</u>	<u>\$ 643,157</u>	<u>\$ 346,636</u>	<u>\$ (296,521)</u>
Net change in fund balances	\$ 551	\$ 551	\$ 154,657	\$ 154,106
Fund balances - beginning	-	-	576,572	576,572
Fund balances - ending	<u>\$ 551</u>	<u>\$ 551</u>	<u>\$ 731,229</u>	<u>\$ 730,678</u>

Town of Pearisburg, Virginia
Schedule of OPEB and Pension Funding Progress
For the Year Ended June 30, 2013

Town Retirement Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (6) (7)
6/30/2012	\$ 4,356,814	\$ 6,107,834	\$ 1,751,020	71.33%	\$ 1,127,457	155.31%
6/30/2011	4,519,135	5,839,759	1,320,624	77.39%	1,063,590	124.17%
6/30/2010	4,530,985	5,458,595	927,610	83.01%	1,079,341	85.94%

Town OPEB Healthcare Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (6) (7)
6/30/2010	\$ -	\$ 818,047	\$ 818,047	-	\$ 1,063,854	76.89%

*Only available for one year

OTHER SUPPLEMENTARY INFORMATION

SUPPORTING SCHEDULES

Town of Pearisburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 1 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 497,250	\$ 497,250	\$ 489,432	\$ (7,818)
Personal property taxes	134,000	134,000	150,551	16,551
Penalties and Interest	4,500	4,500	8,577	4,077
Total general property taxes	<u>\$ 635,750</u>	<u>\$ 635,750</u>	<u>\$ 648,560</u>	<u>\$ 12,810</u>
Other local taxes:				
Local sales and use taxes	\$ 128,000	\$ 128,000	\$ 135,083	\$ 7,083
Consumers' utility taxes	58,000	58,000	58,402	402
Business license taxes	245,000	245,000	237,638	(7,362)
Consumption taxes	13,200	13,200	13,131	(69)
Motor vehicle licenses	29,000	29,000	36,052	7,052
Bank stock taxes	90,900	90,900	84,848	(6,052)
Hotel and motel room taxes	7,900	7,900	9,455	1,555
Restaurant food taxes	335,000	335,000	339,161	4,161
Total other local taxes	<u>\$ 907,000</u>	<u>\$ 907,000</u>	<u>\$ 913,770</u>	<u>\$ 6,770</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 10,500	\$ 10,500	\$ 10,521	\$ 21
Total permits, privilege fees, and regulatory licenses	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ 10,521</u>	<u>\$ 21</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 45,000	\$ 45,000	\$ 45,532	\$ 532
Parking Fines	1,350	1,350	1,340	(10)
Fines and Fees	2,300	2,300	2,841	541
Total fines and forfeitures	<u>\$ 48,650</u>	<u>\$ 48,650</u>	<u>\$ 49,713</u>	<u>\$ 1,063</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 9,000	\$ 4,000
Revenue from use of property	7,000	7,000	8,316	1,316
Total revenue from use of money and property	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 17,316</u>	<u>\$ 5,316</u>
Charges for services:				
Use of copy machine	\$ 2,800	\$ 2,800	\$ 3,225	\$ 425
Use of public right of way	13,000	13,000	12,423	(577)
Fire assessment fee	50,000	50,000	46,940	(3,060)
Policing services	3,300	3,300	-	(3,300)
Swimming pool	29,500	29,500	28,363	(1,137)
Concessions	20,000	20,000	17,975	(2,025)
Charges for parks and recreation	2,400	2,400	2,781	381
Charges for library	200	200	485	285
Total charges for services	<u>\$ 121,200</u>	<u>\$ 121,200</u>	<u>\$ 112,192</u>	<u>\$ (9,008)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 15,906	\$ 15,906	\$ 43,149	\$ 27,243
Grants and contributions	34,350	34,350	46,211	11,861
Total miscellaneous revenue	<u>\$ 50,256</u>	<u>\$ 50,256</u>	<u>\$ 89,360</u>	<u>\$ 39,104</u>

Town of Pearisburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
County of Giles - recreation	\$ 4,175	\$ 4,175	\$ 3,771	\$ (404)
VML insurance settlement	15,000	15,000	32,716	17,716
County of Giles - fire assessment	15,000	15,000	15,000	-
Other recovered costs	10,000	10,000	10,000.00	-
Total recovered costs	<u>\$ 44,175</u>	<u>\$ 44,175</u>	<u>\$ 61,487</u>	<u>\$ 17,312</u>
Total revenue from local sources	<u>\$ 1,829,531</u>	<u>\$ 1,829,531</u>	<u>\$ 1,902,919</u>	<u>\$ 73,388</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 1,700	\$ 1,700	\$ 1,931	\$ 231
Motor vehicle rental tax	11,300	11,300	18,266	6,966
Communications taxes	26,500	26,500	25,246	(1,254)
Personal property tax relief funds	92,197	92,197	92,197	-
Total noncategorical aid	<u>\$ 131,697</u>	<u>\$ 131,697</u>	<u>\$ 137,640</u>	<u>\$ 5,943</u>
Categorical aid:				
Other categorical aid:				
Police block grant	\$ 89,932	\$ 89,932	\$ 69,585	\$ (20,347)
Library funds	44,836	44,836	45,751	915
Litter control grant	1,288	1,288	1,859	571
Fire programs	10,008	10,008	10,825	817
Street maintenance	441,133	441,133	449,558	8,425
VDOT revenue sharing	36,162	36,162	60,000	23,838
Asset forfeiture funds	2,818	2,818	-	(2,818)
Safe routes to schools	1,000	1,000	1,000	-
Arts grant	3,000	3,000	3,000	-
Total other categorical aid	<u>\$ 630,177</u>	<u>\$ 630,177</u>	<u>\$ 641,578</u>	<u>\$ 11,401</u>
Total categorical aid	<u>\$ 630,177</u>	<u>\$ 630,177</u>	<u>\$ 641,578</u>	<u>\$ 11,401</u>
Total revenue from the Commonwealth	<u>\$ 761,874</u>	<u>\$ 761,874</u>	<u>\$ 779,218</u>	<u>\$ 17,344</u>
Revenue from the federal government:				
Categorical aid:				
Emergency Response and Recovery	\$ 11,932	\$ 11,932	\$ 9,950	\$ (1,982)
Federal Policing Grant	-	-	22,091	22,091
Total categorical aid	<u>\$ 11,932</u>	<u>\$ 11,932</u>	<u>\$ 32,041</u>	<u>\$ 20,109</u>
Total revenue from the federal government	<u>\$ 11,932</u>	<u>\$ 11,932</u>	<u>\$ 32,041</u>	<u>\$ 20,109</u>
Total General Fund	<u>\$ 2,603,337</u>	<u>\$ 2,603,337</u>	<u>\$ 2,714,178</u>	<u>\$ 110,841</u>

Town of Pearisburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Legislative	\$ 88,767	\$ 88,767	\$ 84,282	\$ 4,485
General and financial administration:				
Administrative	\$ 384,182	\$ 384,182	\$ 397,584	\$ (13,402)
Legal services	17,725	17,725	24,140	(6,415)
Total general and financial administration	\$ 401,907	\$ 401,907	\$ 421,724	\$ (19,817)
Total general government administration	\$ 490,674	\$ 490,674	\$ 506,006	\$ (15,332)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 624,761	\$ 624,761	\$ 627,109	\$ (2,348)
Fire and rescue services:				
Fire department	\$ 166,600	\$ 166,600	\$ 87,833	\$ 78,767
Inspections:				
Building	\$ 68,558	\$ 68,558	\$ 68,636	\$ (78)
Total public safety	\$ 859,919	\$ 859,919	\$ 783,578	\$ 76,341
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 517,780	\$ 517,780	\$ 511,016	\$ 6,764
Administration	52,999	52,999	49,714	3,285
Total maintenance of highways, streets, bridges & sidewalks	\$ 570,779	\$ 570,779	\$ 560,730	\$ 10,049
Maintenance of general buildings and grounds:				
General properties	\$ 53,154	\$ 53,154	\$ 48,334	\$ 4,820
Equipment operations	72,086	72,086	71,298	788
Total maintenance of general buildings and grounds	\$ 125,240	\$ 125,240	\$ 119,632	\$ 5,608
Total public works	\$ 696,019	\$ 696,019	\$ 680,362	\$ 15,657
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 129,239	\$ 129,239	\$ 137,421	\$ (8,182)
Total parks and recreation	\$ 129,239	\$ 129,239	\$ 137,421	\$ (8,182)
Cultural enrichment:				
Community center	\$ 72,665	\$ 72,665	\$ 65,412	\$ 7,253
Library:				
Municipal library	\$ 252,404	\$ 252,404	\$ 269,853	\$ (17,449)
Total parks, recreation, and cultural	\$ 454,308	\$ 454,308	\$ 472,686	\$ (18,378)

Town of Pearisburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Community Center improvements	\$ -	\$ -	\$ 2,165	\$ (2,165)
Paving projects	99,681	99,681	120,000	(20,319)
Fire department renovations	500,000	500,000	139,900	360,100
Town Shop improvements	28,400	28,400	28,370	30
Other capital projects/outlays	8,000	8,000	8,502	(502)
Total capital projects	<u>\$ 636,081</u>	<u>\$ 636,081</u>	<u>\$ 298,937</u>	<u>\$ 337,144</u>
Debt service:				
Principal retirement	\$ 68,630	\$ 68,630	\$ 98,396	\$ (29,766)
Interest and other fiscal charges	40,312	40,312	66,192	(25,880)
Total debt service	<u>\$ 108,942</u>	<u>\$ 108,942</u>	<u>\$ 164,588</u>	<u>\$ (55,646)</u>
 Total General Fund	 <u>\$ 3,245,943</u>	 <u>\$ 3,245,943</u>	 <u>\$ 2,906,157</u>	 <u>\$ 339,786</u>

STATISTICAL INFORMATION

Table 1

Town of Pearisburg, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water	Sewer	Total
2003-04	\$ 409,366	\$ -	\$ 570,853	\$ 506,226	\$ 336,143	\$ -	\$ 37,136	\$ 391,976	\$ 355,216	\$ 2,606,916
2004-05	397,938	-	675,910	597,664	338,372	-	41,648	513,723	363,019	2,928,274
2005-06	453,924	-	587,983	627,112	391,453	56,515	39,609	637,499	426,623	3,220,718
2006-07	492,338	3,278	599,289	699,539	432,660	104,017	18,346	547,416	414,764	3,311,647
2007-08	441,035	-	609,946	681,412	552,588	467,720	33,155	674,962	404,614	3,865,432
2008-09	465,405	-	219,846	650,607	441,188	145,902	33,517	666,301	434,442	3,057,208
2009-10	517,968	-	680,993	591,225	477,268	4,770	39,042	685,506	417,861	3,414,633
2010-11	549,377	-	635,867	491,509	485,153	249,112	36,026	957,682	425,960	3,830,686
2011-12	534,263	-	756,537	657,984	449,127	30,461	58,380	704,148	417,653	3,608,553
2012-13	559,957	-	793,064	847,786	477,905	8,502	112,448	803,130	449,432	4,052,224

Table 2

Town of Pearisburg, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2003-04	\$ 819,512	\$ 524,161	\$ 5,000	\$	481,567	752,117	5,772	68,949	22,458	54,195	96,138	2,829,869
2004-05	1,007,302	577,883	2,000		472,127	719,039	-	-	19,481	64,555	88,799	2,951,186
2005-06	1,228,347	642,068	177,732		527,674	758,584	-	-	31,944	67,947	92,373	3,526,669
2006-07	1,142,286	569,393	595,507		555,271	770,631	-	-	29,893	73,225	96,927	3,833,133
2007-08	1,330,458	1,039,566	-		575,930	786,173	-	-	27,331	77,374	101,669	3,938,501
2008-09	1,311,793	619,838	167,799		567,885	836,621	-	-	22,369	71,189	102,821	3,700,315
2009-10	1,352,053	555,720	1,230,214		561,893	843,763	-	-	18,403	75,137	102,213	4,739,396
2010-11	1,321,388	651,739	240,306		627,183	892,302	-	-	13,836	137,599	103,136	3,987,489
2011-12	1,327,840	655,112	33,941		639,809	912,040	-	-	17,026	95,922	99,808	3,781,498
2012-13	1,286,648	673,619	8,244		673,805	913,770	-	-	19,558	89,360	137,640	3,802,644

Table 3

Town of Pearisburg, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2003-04	\$ 351,485	\$ 566,708	\$ 567,833	\$ 414,201	\$ -	\$ 30,618	\$ 94,695	\$ 2,025,540
2004-05	468,163	683,261	665,848	401,833	-	17,407	106,462	2,342,974
2005-06	404,614	552,442	656,958	437,943	87,224	23,650	106,461	2,269,292
2006-07	500,741	618,056	1,068,703	464,226	190,484	24,562	88,348	2,955,120
2007-08	438,334	654,790	696,582	536,836	467,720	-	106,461	2,900,723
2008-09	433,273	1,091,493	792,635	569,934	145,902	-	92,758	3,125,995
2009-10	446,410	1,227,400	551,677	454,727	4,770	-	127,055	2,812,039
2010-11	441,788	698,127	562,792	471,613	-	-	127,055	2,301,375
2011-12	451,380	728,096	524,063	441,738	-	-	127,055	2,272,332
2012-13	506,006	783,578	680,362	472,686	-	-	164,588	2,607,220

Table 4

Town of Pearisburg, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
2003-04	\$ 479,963	\$ 752,117	\$ 5,772	\$ 68,949	\$ 22,458	\$ 48,866	\$ 54,195	\$ 57,669	\$ 620,299	\$ 2,110,288
2004-05	477,232	719,039	3,555	74,321	17,693	102,198	64,555	78,290	666,682	2,203,565
2005-06	528,459	758,584	6,213	69,410	24,945	118,718	67,947	84,480	910,173	2,588,929
2006-07	551,126	770,631	6,456	65,610	22,989	115,615	73,225	179,402	1,242,952	3,028,006
2007-08	575,638	786,173	7,063	45,550	21,832	133,150	99,426	59,112	1,141,235	2,869,179
2008-09	558,128	836,621	21,361	32,596	19,029	124,421	70,365	436,762	845,392	2,944,675
2009-10	563,053	843,763	8,944	40,507	13,838	121,675	74,586	23,990	1,474,985	3,165,341
2010-11	626,456	892,302	10,660	41,834	11,585	118,452	137,599	27,672	978,817	2,845,377
2011-12	625,803	912,040	2,888	49,717	14,394	120,217	98,188	30,170	772,170	2,625,587
2012-13	648,560	913,770	10,521	49,713	17,316	112,192	89,360	61,487	811,259	2,714,178

Table 5

Town of Pearisburg, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2) (3)	Percent of Delinquent Taxes to Tax Levy
2002-03	\$ 551,837	\$ 530,208	96.08%	\$ 13,080	\$ 543,288	98.45%	\$ 61,787	11.20%
2003-04	562,464	534,059	94.95%	20,292	554,351	98.56%	54,212	9.64%
2004-05	561,180	540,428	96.30%	14,950	555,378	98.97%	45,246	8.06%
2005-06	616,371	581,187	94.29%	24,754	605,941	98.31%	43,720	7.09%
2006-07	548,227	524,732	95.71%	17,222	541,954	98.86%	58,295	10.63%
2007-08	565,465	543,362	96.09%	25,695	569,057	100.64%	40,968	7.25%
2008-09	564,547	537,439	95.20%	13,589	551,028	97.61%	55,646	9.86%
2009-10	571,979	533,593	93.29%	23,856	557,449	97.46%	53,079	9.28%
2010-11	628,636	596,671	94.92%	25,428	622,099	98.96%	55,727	8.86%
2011-12	641,076	605,490	94.45%	17,217	622,707	97.13%	63,921	9.97%
2012-13	662,512	628,064	94.80%	11,919	639,983	96.60%	93,163	14.06%

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Delinquent taxes are exclusive of penalties and interest and do not include amounts due under the State's personal property tax relief program.

(3) Net of an allowance for doubtful accounts.

Table 6

Town of Pearisburg, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Machinery and Tools	Public Utility	Total
2003-04	\$ 103,844,333	\$ 21,930,068	\$ 404,085	\$ 5,436,735	\$ 131,615,221
2004-05	104,597,500	21,401,238	404,085	4,951,761	131,354,584
2005-06	134,272,800	22,528,723	381,154	5,824,971	163,007,648
2006-07	141,796,200	24,170,079	381,154	4,966,915	171,314,348
2007-08	143,463,900	23,313,107	2,197,682	4,632,913	173,607,602
2008-09	143,141,200	24,055,455	2,462,724	4,664,449	174,323,828
2009-10	178,542,700	21,738,899	3,153,394	6,036,350	209,471,343
2010-11	176,294,200	23,943,622	3,283,936	6,032,141	209,553,899
2011-12	176,846,600	24,616,274	3,187,800	5,727,868	210,378,542
2012-13	177,220,300	26,099,321	4,799,641	5,961,684	214,080,946

Table 7

Town of Pearisburg, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate		Mobile Homes		Personal Property		Machinery and Tools	
2003-04	\$	0.33	\$	0.33	\$	0.938	\$	0.469
2004-05		0.33		0.33		0.938		0.469
2005-06		0.29		0.29		0.938		0.469
2006-07		0.29		0.29		0.938		0.469
2007-08		0.29		0.29		0.938		0.469
2008-09		0.29		0.29		0.938		0.469
2009-10		0.24		0.24		0.938		0.469
2010-11		0.27		0.27		0.938		0.469
2011-12		0.27		0.27		0.938		0.469
2012-13		0.27		0.27		0.938		0.469

(1) Per \$100 of assessed value.

Table 8

Town of Pearisburg, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003-04	2,759	\$ 131,615	\$ 1,870,460	1.42%	\$ 678
2004-05	2,742	131,355	2,635,608	2.01%	961
2005-06	2,752	163,008	2,541,722	1.56%	924
2006-07	2,764	171,314	2,386,235	1.39%	863
2007-08	2,766	173,608	2,178,197	1.25%	787
2008-09	2,766	174,324	2,302,558	1.32%	832
2009-10	2,761	209,471	2,041,137	0.97%	739
2010-11	2,786	209,554	1,889,648	0.90%	678
2011-12	2,761	210,379	4,074,935	1.94%	1,476
2012-13	2,721	214,081	5,386,131	2.52%	1,979

(1) Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt and bonded anticipation notes.
Excludes capital leases, and compensated absences.

Table 9

Town of Pearisburg, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2003-04	\$ 56,679	\$ 38,016	\$ 94,695	\$ 2,025,540	4.68%
2004-05	63,383	43,079	106,462	2,342,974	4.54%
2005-06	64,884	41,577	106,461	2,269,292	4.69%
2006-07	68,551	19,797	88,348	2,955,120	2.99%
2007-08	71,925	34,536	106,461	2,900,723	3.67%
2008-09	58,818	33,940	92,758	3,125,995	2.97%
2009-10	86,743	40,312	127,055	2,812,039	4.52%
2010-11	90,431	36,624	127,055	2,301,375	5.52%
2011-12	94,398	32,657	127,055	2,272,332	5.59%
2012-13	98,396	66,192	164,588	2,607,220	6.31%

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of Council
Town of Pearisburg, Virginia
Pearisburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearisburg, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Pearisburg, Virginia's basic financial statements and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2013-01].

Compliance and Other Matters

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

Town of Pearisburg, Virginia's Response to Findings

The Town of Pearisburg, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Pearisburg, Virginia'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 performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Turner, & Associates

Blacksburg, Virginia

February 5, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Members of Council
Town of Pearisburg, Virginia
Pearisburg, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
February 5, 2014

Town of Pearisburg, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF AGRICULTURE:</i>			
Direct Payments			
ARRA - Water and Waste Disposal Systems for Rural Communities	10.781	NA	\$ 945,523
Community Facilities Loans and Grants	10.766	NA	<u>139,900</u>
Total Department of Agriculture			<u>1,085,423</u>
<i>DEPARTMENT OF TRANSPORTATION:</i>			
Pass Through Payments:			
Department of Motor Vehicles			
State and Community Highway Safety	20.600	45504	<u>22,091</u>
<i>DEPARTMENT OF HOMELAND SECURITY:</i>			
Pass Through Payments:			
Department of Emergency Management			
Emergency Management Performance Grants	97.042	52797	<u>9,950</u>
Total Expenditures of Federal Awards			\$ <u><u>1,117,464</u></u>

Note A-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Pearisburg, Virginia under programs of the federal government for the year ended June 30, 2013. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Pearisburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Pearisburg, Virginia.

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C-Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 32,041
Proprietary Fund Loan	1,151,814
General Fund Loan	<u>328,523</u>
Subtotal	1,512,378
Adjustments for payables - current and prior year	<u>(394,914)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,117,464</u></u>

TOWN OF PEARISBURG

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.781	ARRA - Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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TOWN OF PEARISBURG

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section II - Financial Statement Findings

2013-01

Criteria: Per Statement on Auditing Standards No. 115, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.

Condition: The auditee does not possess sufficient expertise in the selection and application of accounting principles to ensure the annual financial report meets all applicable standards promulgated by Generally Accepted Accounting Standards (GAAS), the Governmental Accounting Standards Board (GASB).

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Cause: The auditee is small and does not have staff with significant experience in preparing financial statements in accordance with current reporting standards. As such, the auditee relies on the auditor for technical advice related to same.

Recommendation: The auditor recommends that the auditee review audit adjustments annually and replicate same in future periods to the extent possible. It is noted that the auditee has made great strides in posting year end adjustments and is gaining a good understanding of the year end audit process.

Management's Response: To comply with SAS No. 115, we would be required to hire staff and/or consultants with expertise in the preparation of financial statements using standards referred to above. The additional cost required exceeds any identified benefits. As such, management does not propose to take any action regarding SAS No. 115.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

There were no findings in the prior fiscal year.