

TOWN OF TAZEWELL, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

TOWN OF TAZEWELL, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2010

TOWN COUNCIL

Dr. Charles Grindstaff, Mayor
A. D. Buchanan, Jr., Vice Mayor
Chris Blankenship
David Fox
Jack Murray, Sr.
Danny Willis
Terry Mullins

APPOINTED OFFICIALS

Jerry G. Wood.....Town Manager
Linda S. Griffith.....Clerk/Treasurer

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

ATTORNEYS

Gillespie, Hart, Altizer & Whitesell, P.C.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Tazewell, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information, where presented, has been derived from the Town's 2009 financial statements on which, in our report dated September 23, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund.

We conducted our audit 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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Tazewell, Virginia, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town has not presented a management discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information and analysis of funding progress are on pages 27 to 33. Such information, although not a part of the basic financial statements, is required by the GASB, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole. The introductory and Other Information Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide assurance on them.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 11, 2010

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BASIC FINANCIAL STATEMENTS

TOWN OF TAZEWELL, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2010

			Totals	
	Governmental Activities	Business-Type Activities	2010	(For Comparative Purposes Only) 2009*
ASSETS				
Cash and cash equivalents (Note 2)	\$ 197,597	\$ 52,354	\$ 249,951	\$ 736,776
Receivables, net (Note 3)	179,081	365,117	544,198	461,034
Due from other governmental units (Note 4)	125,546	-	125,546	179,389
Internal balances (Note 5)	1,962,195	(1,962,195)	-	-
Capital assets: (Note 6)				
Not depreciated	2,101,507	21,581	2,123,088	2,246,247
Depreciated, net	1,830,559	5,984,936	7,815,495	6,995,643
Note Receivable (Note 14)	-	750,266	750,266	-
Total assets	<u>6,396,485</u>	<u>5,212,059</u>	<u>11,608,544</u>	<u>10,619,089</u>
LIABILITIES				
Accounts payable	457,486	52,579	510,065	692,651
Accrued payroll and related liabilities	50,076	6,971	57,047	52,593
Accrued interest payable	-	11,108	11,108	13,354
Customer deposits payable	-	61,416	61,416	49,717
Noncurrent liabilities:				
Unearned revenue (Note 14)	-	1,387,266	1,387,266	-
Due within one year (Note 7)	115,303	300,271	415,574	430,786
Due in more than one year (Note 7)	245,244	2,036,008	2,281,252	2,566,940
Total liabilities	<u>868,109</u>	<u>3,855,619</u>	<u>4,723,728</u>	<u>3,806,041</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	3,695,782	3,680,845	7,376,627	6,301,914
Unrestricted	1,832,594	(2,324,405)	(491,811)	511,134
Total net assets	<u>\$ 5,528,376</u>	<u>\$ 1,356,440</u>	<u>\$ 6,884,816</u>	<u>\$ 6,813,048</u>

* Restated, see Note 15.

EXHIBIT 2

TOWN OF TAZEWELL, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	2010	(For Comparative Purposes Only) 2009
Governmental activities:								
General government administration	\$ 694,573	\$ -	\$ -	\$ -	\$ (694,573)		\$ (694,573)	\$ (650,425)
Public safety	1,139,818	-	126,903	-	(1,012,915)		(1,012,915)	(1,043,663)
Public works	1,369,473	345,661	869,235	19,400	(135,177)		(135,177)	(155,325)
Parks, recreation, and cultural	374,445	53,165	-	-	(321,280)		(321,280)	(317,392)
Interest on long-term debt	15,008	-	-	-	(15,008)		(15,008)	(15,203)
Total governmental activities	3,593,317	398,826	996,138	19,400	(2,178,953)		(2,178,953)	(2,182,008)
Business-type activities:								
Water and sewer	1,986,116	1,791,925	-	338,071		143,880	143,880	(47,205)
Total business-type activities	1,986,116	1,791,925	-	338,071		143,880	143,880	(47,205)
Total primary government	\$ 5,579,433	\$ 2,190,751	\$ 996,138	\$ 357,471	(2,178,953)	143,880	(2,035,073)	(2,229,213)
General revenues:								
Property taxes					617,556	-	617,556	558,969
Sales taxes					259,842	-	259,842	335,458
Meals taxes					419,740	-	419,740	457,752
Utilities taxes					28,140	-	28,140	30,506
Business license taxes					217,096	-	217,096	200,195
Bank franchise taxes					163,905	-	163,905	146,838
Other local taxes and charges					107,333	-	107,333	130,950
Intergovernmental revenue, unrestricted					263,028	-	263,028	144,363
Investment income					5,192	345	5,537	13,065
Other					23,983	681	24,664	105,151
Total general revenues					2,105,815	1,026	2,106,841	2,123,247
Change in net assets					(73,138)	144,906	71,768	(105,966)
NET ASSETS AT JULY 1, as restated, see Note 15					5,601,514	1,211,534	6,813,048	6,919,014
NET ASSETS AT JUNE 30					\$ 5,528,376	\$ 1,356,440	\$ 6,884,816	\$ 6,813,048

The Notes to Financial Statements are an integral part of this statement.

TOWN OF TAZEWELL, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2010

	General Fund	
		(For Comparative Purposes Only)
	2010	2009*
ASSETS		
Cash and cash equivalents	\$ 197,597	\$ 603,212
Receivables, net	179,081	136,753
Due from other governmental units	125,546	193,612
Advances due from other fund	1,976,480	1,826,604
Total assets	<u>\$ 2,478,704</u>	<u>\$ 2,760,181</u>
LIABILITIES		
Accounts payable	\$ 457,486	\$ 646,989
Accrued payroll and related liabilities	50,076	46,249
Advances due to other fund	14,285	-
Deferred revenue	59,287	57,813
Total liabilities	<u>581,134</u>	<u>751,051</u>
FUND BALANCES		
Reserved for:		
Encumbrances	544	108,697
Unreserved:		
Undesignated	1,897,026	1,900,433
Total fund balances	<u>1,897,570</u>	<u>2,009,130</u>
Total liabilities and fund balances	<u>2,478,704</u>	<u>2,760,181</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,932,066	3,918,572
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	59,287	57,813
Long-term liabilities, including notes payable and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(360,547)	(384,001)
Net assets of governmental activities	<u>\$ 5,528,376</u>	<u>\$ 5,601,514</u>

* Restated, see Note 15.

TOWN OF TAZEWell, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2010

	General Fund	
		(For Comparative Purposes Only)
	2010	2009
REVENUES		
General property taxes	\$ 616,082	\$ 597,883
Other local taxes	617,166	636,725
Permits, privilege fees, and regulatory licenses	247,085	227,192
Fines and forfeitures	43,823	71,818
Revenue from use of money and property	5,192	11,939
Charges for services	53,165	62,093
Refuse charges	345,661	330,905
Intergovernmental	1,547,148	1,411,671
Other	23,983	32,210
Total revenues	<u>3,499,305</u>	<u>3,382,436</u>
EXPENDITURES		
Current:		
General government administration	620,832	613,854
Public safety	1,068,147	1,084,062
Public works	1,211,690	1,189,028
Parks, recreation, and cultural	353,911	358,884
Capital outlay	242,268	139,231
Debt service:		
Principal retirement	99,009	79,176
Interest and fiscal charges	15,008	15,203
Total expenditures	<u>3,610,865</u>	<u>3,479,438</u>
Excess of expenditures over revenues	<u>(111,560)</u>	<u>(97,002)</u>
OTHER FINANCING SOURCES		
Capital lease proceeds	-	62,074
Net change in fund balance	<u>(111,560)</u>	<u>(34,928)</u>
FUND BALANCES AT JULY 1, as restated, see Note 15	<u>2,009,130</u>	<u>2,044,058</u>
FUND BALANCES AT JUNE 30	<u>1,897,570</u>	<u>2,009,130</u>
Adjustments for the Statement of Activities:		
Governmental funds report capital outlays (2010 \$196,667; 2009 - \$163,668) as expenditures while governmental activities report depreciation expense (2010 - \$202,573 2009 - \$228,246) to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded (or was less than) depreciation in the current period, plus 2010 donated assets of \$19,400.	13,494	(64,802)
The net effect of the change in revenues in the Statement of Activities that do not provide current financial resources are not reported in the funds.	1,474	(38,914)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of the difference in the treatment of long-term debt and related items.	99,009	17,102
Some expenses reported in the Statement of Activities, such as compensated absences and amounts due to County, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(75,555)	(11,286)
Change in net assets of governmental activities	<u>\$ (73,138)</u>	<u>\$ (132,828)</u>

The Notes to Financial Statements are
an integral part of this statement.

TOWN OF TAZEVELL, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2010

	Business-Type Activities	
	Enterprise Fund	
	Water and Sewer	
		(For Comparative Purposes Only)
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 52,354	\$ 133,564
Receivables, net	365,117	310,058
Advances due from other fund	14,285	-
Total current assets	431,756	443,622
Noncurrent assets:		
Note Receivable	750,266	-
Capital assets:		
Not depreciated	21,581	192,250
Depreciated, net	5,984,936	5,131,068
Total noncurrent assets	6,756,783	5,323,318
Total assets	7,188,539	5,766,940
LIABILITIES		
Current liabilities		
Accounts payable	52,579	45,662
Accrued payroll and related liabilities	6,971	6,344
Accrued interest payable	11,108	13,354
Customer deposits payable	61,416	49,717
Current portion of noncurrent liabilities	300,271	287,740
Total current liabilities	432,345	402,817
Noncurrent liabilities:		
Advances due to other fund	1,976,480	1,826,604
Unearned revenue	1,387,266	-
Due in more than one year	2,036,008	2,325,985
Total noncurrent liabilities	5,399,754	4,152,589
Total liabilities	5,832,099	4,555,406
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	3,680,845	2,718,635
Unrestricted	(2,324,405)	(1,507,101)
Total net assets	\$ 1,356,440	\$ 1,211,534

TOWN OF TAZEWELL, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	Business-Type Activities	
	Enterprise Fund	
	Water and Sewer	
		(For Comparative Purposes Only)
	2010	2009
OPERATING REVENUES		
Water service charges and fees	\$ 928,929	\$ 976,926
Sewer service charges and fees	843,564	829,885
Water/sewer penalties	19,432	17,675
Other revenue	681	72,941
Total operating revenues	1,792,606	1,897,427
OPERATING EXPENSES		
Salaries	389,741	375,473
Fringe benefits	126,109	113,606
Maintenance	217,914	164,005
Utilities	182,617	155,532
Materials and supplies	132,342	137,577
Purchased water	421,030	495,194
Administrative	96,202	93,104
Miscellaneous	40,223	-
Depreciation	293,672	269,095
Total operating expenses	1,899,850	1,803,586
Operating income (loss)	(107,244)	93,841
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	338,071	31,644
Interest income	345	1,126
Interest expense	(86,266)	(99,749)
Net nonoperating income (expenses)	252,150	(66,979)
Change in net assets	144,906	26,862
NET ASSETS AT JULY 1	1,211,534	1,184,672
NET ASSETS AT JUNE 30	\$ 1,356,440	\$ 1,211,534

TOWN OF TAZEVELL, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	Business-Type Activities	
	Enterprise Fund	
	Water and Sewer	
		(For Comparative Purposes Only)
	2010	2009
OPERATING ACTIVITIES		
Receipts from customers	\$ 1,749,246	\$ 1,909,303
Payments to suppliers	(1,073,929)	(1,010,239)
Payments to employees	(387,549)	(375,394)
Net cash provided by operating activities	287,768	523,670
NONCAPITAL FINANCING ACTIVITIES		
Operating assistance grants received	-	31,644
Net cash provided by noncapital financing activities	-	31,644
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(339,871)	(196,555)
Principal paid on debt	(279,011)	(397,940)
Proceeds from the issuance of debt	-	139,636
Capital grants received	338,071	-
Interest paid on capital debt	(88,512)	(99,750)
Net cash used in capital and related financing activities	(369,323)	(554,609)
INVESTING ACTIVITIES		
Interest received	345	1,126
Net increase in cash and cash equivalents	(81,210)	1,831
CASH AND CASH EQUIVALENTS		
Beginning at July 1	133,564	131,733
Ending at June 30	\$ 52,354	\$ 133,564
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (107,244)	\$ 93,841
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	293,672	269,095
Change in assets and liabilities:		
Decrease (increase) in		
Receivables, net	(55,059)	1,555
Advances due from other fund	(14,285)	-
Increase (decrease) in:		
Accounts payable	6,917	(135,397)
Accrued payroll and related liabilities	2,192	79
Advances due to other fund	149,876	284,176
Customer deposits payable	11,699	10,321
Net cash provided by operating activities	\$ 287,768	\$ 523,670
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Non Cash proceeds for sale of capacity rights		
Capital assets	\$ 637,000	\$ -
Note receivable	750,266	-
	\$ 1,387,266	\$ -

TOWN OF TAZEWell, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Tazewell (the “Town”) was established in 1916. It is a political subdivision of the Commonwealth of Virginia operating under the Mayor-Council form of government. The Town Council consists of a mayor and six other council members. The Town is part of Tazewell County and has taxing powers subject to statewide restrictions and tax limits.

The Town provides a full range of municipal services including police, refuse collection, public improvements, planning and zoning, general administrative services, recreation, and water and wastewater services.

These financial statements present the Town as the primary government. The Town has no component units – that is, entities for which the primary government is considered to be financially accountable. Furthermore, the Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. 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*.

Separate financial statements are provided for the major governmental fund and the major proprietary fund.

TOWN OF TAZEVELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

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 fund financial statements. 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.

Government 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 Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The *enterprise fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability, or other purposes. The enterprise fund consists of the activities relating to water and wastewater services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 charges between the government's proprietary funds 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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 water and sewer enterprise fund are charges to customers for sales and services. 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 nonoperating revenues and expenses.

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

D. Budgets and Budgetary Accounting

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

- 1) During the regular May Council meetings, the Town Manager submits a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget for the general fund is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriations for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer amounts within general governmental departments.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted utilizing the cash basis of accounting.
- 7) Appropriations lapse on June 30 for all Town units.
- 8) All budget data presented is the final revised budget.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

The following is a reconciliation of the results of operations for the year on the budgetary basis to the GAAP basis:

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ (273,640)
Modified accrual basis adjustments	<u>162,080</u>
Net change in fund balance (GAAP basis)	<u>\$ (111,560)</u>

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. Also included in this classification are nonnegotiable certificates of deposit.

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible taxes using historical collection data and specific account analysis.

H. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. During the current year, no interest was capitalized in the Water and Sewer Fund. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25-40 years
Vehicles, machinery, and equipment	5-10 years
Distribution and transmission systems	25-40 years
Furniture and fixtures	5-10 years
Water and wastewater plants	40 years

Infrastructure assets are roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and include all assets constructed since July 1, 2001. The retroactive reporting of general infrastructure is optional and the Town has chosen not to report these assets.

I. Deferred and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue consisted solely of delinquent property taxes not collected within 45 days of year end.

As of June 30, 2010, the water and sewer fund reports unearned revenue in connection with non-cash proceeds from the sale of capacity rights to the Town's sewer treatment plant. Revenue will be recognized over the term of the agreement.

J. Compensated Absences

The Town's policies allow for the accumulation and vesting of limited amounts of vacation leave until termination or retirement. Such absences are accrued when earned in the government-wide and proprietary financial statements. A liability is reported in governmental fund only when the leave is due and payable.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

N. Comparative data

Comparative total data for the year ended June 30, 2009 has been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2. Deposits and Investments

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Town has not adopted deposit and investment policies that limit the Town's allowable deposits or investments or addresses the specific types of risk to which the Town may be exposed.

There was no investment activity during the year other than in certificates of deposit.

Note 3. Receivables

Receivables for individual major funds are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 375,951	\$ -	\$ 375,951
Accounts	<u>80,413</u>	<u>425,374</u>	<u>505,787</u>
Gross receivables	456,364	425,374	881,738
Less: allowance for uncollectibles	<u>(277,283)</u>	<u>(60,257)</u>	<u>(337,540)</u>
	<u><u>\$ 179,081</u></u>	<u><u>\$ 365,117</u></u>	<u><u>\$ 544,198</u></u>

TOWN OF TAZEWell, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4. Due from Other Governmental Units

A summary of funds due from other governmental units follows:

	<u>General</u>
Tazewell County	
Sales tax	\$ 45,645
Commonwealth of Virginia	
Personal property tax relief	54,820
Other various grants	<u>25,081</u>
	<u>\$ 125,546</u>

Note 5. Interfund Advances Receivable and Payable

An amount of \$1,976,480 was due to the General Fund from the Water and Sewer Fund for water and sewer expenditures paid out of the General Fund. Also, the general fund owes the Water and Sewer Fund \$14,285 for services provided throughout the fiscal year. Management is in the process of determining a repayment schedule between the funds.

Note 6. Capital Assets

Capital asset activity was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 1,936,576	\$ 12,000	\$ -	\$ 1,948,576
Construction in progress	<u>117,421</u>	<u>138,807</u>	<u>103,297</u>	<u>152,931</u>
	<u>2,053,997</u>	<u>150,807</u>	<u>103,297</u>	<u>2,101,507</u>
Capital assets, depreciated:				
Vehicles	1,622,045	23,345	41,935	1,603,455
Buildings and improvements	2,143,961	110,697	-	2,254,658
Equipment, furniture, and fixtures	<u>911,702</u>	<u>34,515</u>	<u>-</u>	<u>946,217</u>
	<u>4,677,708</u>	<u>168,557</u>	<u>41,935</u>	<u>4,804,330</u>
Less accumulated depreciation for:				
Vehicles	1,189,521	75,848	41,935	1,223,434
Buildings and improvements	936,375	56,422	-	992,797
Equipment, furniture, and fixtures	<u>687,237</u>	<u>70,303</u>	<u>-</u>	<u>757,540</u>
	<u>2,813,133</u>	<u>202,573</u>	<u>41,935</u>	<u>2,973,771</u>
Capital assets, depreciated, net	<u>1,864,575</u>	<u>(34,016)</u>	<u>-</u>	<u>1,830,559</u>
Governmental activities capital assets, net	<u>\$ 3,918,572</u>	<u>\$ 116,791</u>	<u>\$ 103,297</u>	<u>\$ 3,932,066</u>

TOWN OF TAZEVELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 6. Capital Assets (Continued)

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 21,581	\$ -	\$ -	\$ 21,581
Construction in progress	170,669	104,377	275,046	-
	<u>192,250</u>	<u>104,377</u>	<u>275,046</u>	<u>21,581</u>
Capital assets, depreciated:				
Distribution/transmission systems	4,573,207	912,046	-	5,485,253
Water and wastewater plants	6,194,257	-	-	6,194,257
Machinery and equipment	502,038	235,494	10,900	726,632
	<u>11,269,502</u>	<u>1,147,540</u>	<u>10,900</u>	<u>12,406,142</u>
Less accumulated depreciation	<u>6,138,434</u>	<u>293,672</u>	<u>10,900</u>	<u>6,421,206</u>
Capital assets, depreciated, net	<u>5,131,068</u>	<u>853,868</u>	<u>-</u>	<u>5,984,936</u>
Business-type activities capital assets, net	<u>\$ 5,323,318</u>	<u>\$ 958,245</u>	<u>\$ 275,046</u>	<u>\$ 6,006,517</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 17,751
Public safety	100,366
Public works	63,922
Parks, recreation, and cultural	20,534
	<u>\$ 202,573</u>
Business-type activities:	
Water and sewer	<u>\$ 293,672</u>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Notes payable	\$ 295,913	\$ -	\$ 59,629	\$ 236,284	\$ 52,321
Due to County	-	72,081	-	72,081	10,800
Capital lease obligations	39,380	-	39,380	-	-
Compensated absences	48,708	3,474	-	52,182	52,182
	<u>\$ 384,001</u>	<u>\$ 75,555</u>	<u>\$ 99,009</u>	<u>\$ 360,547</u>	<u>\$ 115,303</u>
Business-Type Activities					
General obligation bonds	\$ 1,685,764	\$ -	\$ 28,674	\$ 1,657,090	\$ 29,296
Revenue bonds	913,818	-	248,297	665,521	258,328
Capital lease obligations	5,101	-	2,040	3,061	2,040
Compensated absences	9,042	1,565	-	10,607	10,607
	<u>\$ 2,613,725</u>	<u>\$ 1,565</u>	<u>\$ 279,011</u>	<u>\$ 2,336,279</u>	<u>\$ 300,271</u>

Water and sewer fund revenues are pledged for the payment of principal and interest for water and sewer fund bonds. Governmental activities compensated absences are generally liquidated by the general fund.

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

Fiscal Year	Governmental Activities					Business-Type Activities						Totals	
	Notes Payable		Due to County		Revenue Bonds		General Obligation Bonds		Capital Lease Obligations				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 52,321	\$ 7,095	\$ 10,800	\$ -	\$ 258,328	\$ 24,063	\$ 29,296	\$ 53,432	\$ 2,040	\$ 364	\$ 352,785	\$ 84,954	
2012	59,102	5,616	14,412	-	268,765	13,627	30,263	52,465	1,021	182	373,563	71,890	
2013	61,289	3,529	14,412	-	138,428	2,769	31,261	51,467	-	-	245,390	57,765	
2014	63,572	1,260	14,412	-	-	-	32,293	50,436	-	-	110,277	51,696	
2015	-	-	14,412	-	-	-	33,358	49,370	-	-	47,770	49,370	
2016-2020	-	-	3,633	-	-	-	184,038	229,602	-	-	187,671	229,602	
2021-2025	-	-	-	-	-	-	216,464	197,176	-	-	216,464	197,176	
2026-2030	-	-	-	-	-	-	254,602	159,038	-	-	254,602	159,038	
2031-2035	-	-	-	-	-	-	299,461	114,179	-	-	299,461	114,179	
2036-2040	-	-	-	-	-	-	352,223	61,417	-	-	352,223	61,417	
2041-2045	-	-	-	-	-	-	193,831	8,079	-	-	193,831	8,079	
	\$ 236,284	\$ 17,500	\$ 72,081	\$ -	\$ 665,521	\$ 40,459	\$ 1,657,090	\$ 1,026,661	\$ 3,061	\$ 546	\$ 2,634,037	\$ 1,085,166	

TOWN OF TAZEVELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity	Original Amount	Governmental Activities	Business-Type Activities
Notes Payable:						
Note Payable, Fire Truck	3.64%	06-07	06-14	400,000	\$ 236,284	\$ -
Bonds:						
Rural Development, General Obligation	3.25%	2003	2038	\$ 1,800,000	\$ -	\$ 1,657,090
Virginia Resource Authority, Revenue	4.00%	04-93	10-12	3,798,531	-	665,521
					<u>\$ -</u>	<u>\$ 2,322,611</u>
Capital Lease Obligations:						
Fisher Scientific	18.00%	12-08	12-11	6,121	\$ -	\$ 3,061
					<u>\$ -</u>	<u>\$ 3,061</u>

Payable to County

Subsequent to year end, the Town entered into an agreement with Tazewell County to pay back \$72,081 for sales tax amounts received in prior years due to inaccurate child count numbers within the Town. This will be paid over a five-year period at \$1,200 per month.

Note 8. Defined Benefit Pension Plan and Deferred Compensation Plan

Plan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating law enforcement officers and firefighters), or at age 55 with 35 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service (1.85% to Sheriff and, if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. 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.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8. Defined Benefit Pension Plan and Deferred Compensation Plan (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2010 was 5.50% of annual covered payroll. The Town's contribution rate includes the employee's share of 5% paid by the employee.

Annual Pension Cost

For fiscal year 2010, the Town's annual pension cost of \$88,351 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 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. Both the investment rate of return and the projected salary increases included 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 actuarial assessed liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 122,291	100%	\$ -
June 30, 2009	\$ 57,599	100%	\$ -
June 30, 2010	\$ 88,351	100%	\$ -

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8. Defined Benefit Pension Plan and Deferred Compensation Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 108.60% funded. The actuarial accrued liability for benefits was \$4,034,254, and the actuarial value of assets was \$4,381,353, resulting in an unfunded actuarial accrued liability (UAAL) of \$(347,099). The covered payroll (annual payroll of active employees covered by the plan) was \$1,279,479, and ratio of the UAAL to the covered payroll was 27.13%.

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 for benefits.

Note 9. Property Taxes

The major sources of property taxes are real estate and personal property taxes. The assessments are the responsibility of Tazewell County, while billing and collection are the Town's responsibilities.

Property taxes are levied annually on assessed values as of January 1 and are due by December 5. Personal property taxes do create a lien on property.

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 0.10% per month. The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$	0.25
Personal property	\$	0.50
Machinery and tools	\$	0.50

Note 10. Risk Management

The Risk Management Programs are as follows:

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2009-2010, total premiums paid were approximately \$86,000. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

General liability and other insurance are provided through policies with a commercial insurance company. General liability and business automobile coverage have a \$2,000,000 and \$1,000,000 limit per occurrence, respectively. Property insurance is covered per statement of values and is approximately \$2,000,000. Police professional liability and public officials' liability insurance with a \$3,000,000 limit are covered through a policy with a commercial insurance company. Total premiums paid for these policies were approximately \$87,000.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 10. Risk Management (Continued)

Healthcare coverage is provided for employees through a policy with Anthem Blue Cross-Blue Shield. The Town contributes a percentage of the required premium amount for single coverage for each employee. The Town also pays a percentage of the coverage for dependents and spouses of employees. Total premiums paid for the year ended June 30 were approximately \$474,000.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Note 11. Net Assets

At June 30, the Water and Sewer fund had a deficit in unrestricted net assets totaling \$(2,324,405). This deficit is anticipated to be recovered through future revenues as well as possible transfers from the General Fund.

Note 12. Commitments and Contingencies

Tazewell County Gymnasium Lease

In January 2007, the Town entered a 40 year lease agreement with Tazewell County for the Old Junior High School Gymnasium for recreational purposes with annual rent of \$1. Pursuant to the terms of the lease, the Town agreed to assume and pay the expenses related to utilities, repair, maintenance, or renovation costs, all taxes associated with the building, and hazard insurance premiums on the property.

American Legion Building Lease

In May 2007, the Town entered a 40 year lease agreement with American Legion Post #133 for the American Legion Building with annual rent of \$1. Pursuant to the terms of the lease, the Town agreed to assume and pay the expenses related to utilities, repair, maintenance, or renovation costs, all taxes associated with the building and hazard insurance premiums on the property. Through 2010, the Town expended and capitalized approximately \$118,000 for renovations.

Tazewell Community Hospital Foundation

In May 2003, Council approved the contribution of \$350,000 over a three year period to the Tazewell Community Hospital Wellness Center. This contribution was subsequently increased to \$550,000. As of June 30, 2010, the remaining commitment was \$50,000.

Litigation

The Town and the Tazewell County School Board were named in a lawsuit regarding the construction of a sidewalk. The potential outcome is unknown at this time and insurance would cover the cost should the outcome be unfavorable.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 13. Service Contract

Effective September 1996, the Town entered into an agreement with the Tazewell County Public Service Authority (the "PSA") to purchase water for a forty year period at which time the agreement may be renewed in additional five year increments. The Town also conveyed its water treatment plant to the PSA as part of the agreement. For 2010, the Town paid approximately \$421,030 to the PSA for water.

Note 14. Sewer Treatment Facility Capacity

During 2010, the Town entered into an agreement with the PSA whereby the Town is allocating 40% of its sewer treatment plant capacity to the PSA in exchange for water lines valued at \$637,000 and a note for \$750,260. The note has a term of 30 years, an annual interest rate of 4.07%, and monthly payments of \$3,612 beginning once the PSA begins discharge into the facility.

The PSA will also pay a monthly Treatment and Disposal Volume Charge determined by the Town's total direct and indirect costs to maintain the facility and the number of gallons discharged into the facility by the PSA. Any unexpected capital expenditures along with necessary maintenance, repairs, replacements or upgrades, of any sanitary sewer lines used to transport the PSA's flow into the facility will be paid by both parties based on their capacities in the facility. Both parties will jointly contribute \$1,000 per month to a capital reserve fund not to exceed \$50,000 to assist with unexpected capital expenditures. As of June 30, 2010, the PSA has not started discharging into the facility.

Note 15. Restatement of Fund Balance and Net Assets

	<u>Fund Balance</u>	<u>Net Assets</u>
Balance, June 30, 2009, as previously stated	\$ 1,994,907	\$ 6,798,825
Adjustment for revenue sharing accrual	(24,925)	(24,925)
Record on accounts receivable for meals taxes	<u>39,148</u>	<u>39,148</u>
Balance, June 30, 2010, as restated	<u><u>\$ 2,009,130</u></u>	<u><u>\$ 6,813,048</u></u>

Note 16. Subsequent Events

Effective July 1, 2010, the Town will take full control over the Jeffersonville Rescue Squad. The employees will become Town employees and the building and vehicles will be titled over to the Town.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 17. New Accounting Standards

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. Management has not yet evaluated the effects, if any, of adopting this standard, but **does not expect them to be material**. This statement will be effective for the year ending June 30, 2011.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. Management has not yet evaluated the effects, if any, of adopting this standard but **does not expect them to be material**. This statement will be effective for the year ending June 30, 2011.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Management has not yet evaluated the effects, if any, of adopting this standard but **does not expect them to be material**. This statement will be effective for the year ending June 30, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes:				
Real property taxes	\$ 554,954	\$ 554,954	\$ 512,365	\$ (42,589)
Public service corporation taxes	25,000	25,000	23,600	(1,400)
Personal property taxes	88,544	88,544	61,610	(26,934)
Penalties and interest on delinquent taxes	20,000	20,000	18,507	(1,493)
Total general property taxes	688,498	688,498	616,082	(72,416)
Other local taxes:				
Meals taxes	320,000	320,000	418,001	98,001
Cigarette taxes	35,000	35,000	33,521	(1,479)
Local sales and use taxes	330,000	330,000	259,842	(70,158)
Business license taxes	200,000	200,000	227,285	27,285
Franchise license tax	30,000	30,000	28,140	(1,860)
Bank stock tax	142,000	142,000	163,905	21,905
Total other local taxes	1,057,000	1,057,000	1,130,694	73,694
Permits, privilege fees, and regulatory licenses:				
Planning and zoning	1,000	1,000	1,065	65
Decal fees	30,000	30,000	28,924	(1,076)
Total permits and privilege fees	31,000	31,000	29,989	(1,011)
Fines and forfeitures:				
Court fines	75,000	75,000	43,289	(31,711)
Parking fines	500	500	534	34
Total fines and forfeitures	75,500	75,500	43,823	(31,677)
Revenue from use of money and property:				
Interest earned	15,000	15,000	5,192	(9,808)
Total revenue from use of money and property	15,000	15,000	5,192	(9,808)
(Continued)				

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Charges for services:				
Waste collection charges	\$ 324,000	\$ 324,000	\$ 328,385	\$ 4,385
Recreation	68,500	68,500	53,165	(15,335)
Miscellaneous charges	2,000	2,000	3,503	1,503
Total charges for services	394,500	394,500	385,053	(9,447)
Other revenues:				
Miscellaneous	60,000	60,000	23,983	(36,017)
Total other revenues	60,000	60,000	23,983	(36,017)
Total revenue from local sources	2,321,498	2,321,498	2,234,816	(86,682)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax reimbursement	55,400	55,400	54,820	(580)
Rolling stock	4,600	4,600	5,696	1,096
Arts grant	2,500	2,500	-	(2,500)
Fire programs	9,500	9,500	23,050	13,550
Litter control grant	2,500	2,500	2,041	(459)
Other	55,000	55,000	231,431	176,431
Total non-categorical aid	129,500	129,500	317,038	187,538
Categorical aid:				
Highway and street maintenance grant	735,000	735,000	867,194	132,194
Law enforcement aid	115,011	115,011	103,853	(11,158)
Total categorical aid	850,011	850,011	971,047	121,036
Total intergovernmental revenues	979,511	979,511	1,288,085	308,574
Total general fund revenues	\$ 3,301,009	\$ 3,301,009	\$ 3,522,901	\$ 221,892

TOWN OF TAZEWEEL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General government administration:				
Mayor and Town Council:				
Wages - elected officials	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Council support	30,000	30,000	24,087	5,913
Travel, training, and education	2,000	2,000	-	2,000
Dues and professional memberships	4,000	4,000	2,180	1,820
Council community support	65,000	65,000	52,112	12,888
Public officials insurance	19,000	19,000	5,522	13,478
Total Mayor and Town Council	126,000	126,000	89,901	36,099
Town Attorney/legal services:				
Wages	600	600	600	-
Health insurance	6,650	6,650	6,557	93
Legal services	8,000	8,000	6,233	1,767
Total Town Attorney/legal services	15,250	15,250	13,390	1,860
Administration:				
Wages	177,399	177,399	187,418	(10,019)
Fringes/benefits	68,485	68,485	71,409	(2,924)
Professional services	20,500	20,500	41,952	(21,452)
Advertising	5,000	5,000	909	4,091
Building maintenance	10,000	10,000	21,887	(11,887)
Postage and delivery services	9,000	9,000	8,570	430
Motor fuel expense	1,500	1,500	767	733
Vehicle maintenance	500	500	66	434
Utilities	17,000	17,000	28,883	(11,883)
Internet Fees	12,000	12,000	16,711	(4,711)
Travel, training, and education	20,000	20,000	22,937	(2,937)
Dues and professional memberships	7,500	7,500	5,432	2,068
General liability insurance	12,000	12,000	13,011	(1,011)
Office supplies	30,000	30,000	34,132	(4,132)
Equipment	15,000	15,000	24,933	(9,933)
Equipment maintenance	10,000	10,000	19,087	(9,087)
Bank service charge	300	300	228	72
Administrative Reserve	20,000	20,000	8,954	11,046
Miscellaneous	2,000	2,000	10,257	(8,257)
Total administration	438,184	438,184	517,543	(79,359)
Total general government administration	579,434	579,434	620,834	(41,400)
(Continued)				

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public Safety:				
Police department:				
Wages	\$ 439,020	\$ 439,020	\$ 523,832	\$ (84,812)
Fringes/benefits	184,129	184,129	186,248	(2,119)
Professional services	25,000	25,000	15,846	9,154
Advertising	1,000	1,000	-	1,000
Building maintenance	2,000	2,000	5,641	(3,641)
Postage and delivery services	1,000	1,000	1,306	(306)
Motor fuel expense	35,000	35,000	32,436	2,564
Vehicle maintenance	9,000	9,000	26,198	(17,198)
Utilities	17,000	17,000	21,741	(4,741)
Uniforms	15,000	15,000	6,812	8,188
Travel, training, and education	10,000	10,000	24,793	(14,793)
Dues and professional memberships	2,000	2,000	688	1,312
General liability insurance	8,500	8,500	11,581	(3,081)
Office supplies	15,000	15,000	16,214	(1,214)
Equipment	10,000	10,000	31,174	(21,174)
Equipment maintenance	7,000	7,000	14,143	(7,143)
Capital outlay	24,284	24,284	13,745	10,539
Internet fees	12,000	12,000	11,940	60
Public safety	5,000	5,000	17,152	(12,152)
Narcotics task force	7,000	7,000	7,000	-
Southwest Regional Jail	12,000	12,000	2,752	9,248
Miscellaneous	2,000	2,000	5,094	(3,094)
Total police department	842,933	842,933	976,336	(133,403)
Volunteer fire department:				
Personnel cost	15,000	15,000	18,334	(3,334)
Building maintenance	1,000	1,000	3,530	(2,530)
Motor fuel expense	4,000	4,000	2,721	1,279
Utilities	7,000	7,000	6,211	789
General liability insurance	7,000	7,000	9,090	(2,090)
Miscellaneous	-	-	2,120	(2,120)
Supplies	20,000	20,000	24,776	(4,776)
Equipment	-	-	2,231	(2,231)
Equipment maintenance	2,000	2,000	2,428	(428)
Internet fees	10,000	10,000	10,754	(754)
Vehicle maintenance	5,000	5,000	5,787	(787)
Fire fund transfer	9,500	9,500	-	9,500
Total volunteer fire department	80,500	80,500	87,982	(7,482)
Total public safety	923,433	923,433	1,064,318	(140,885)

(Continued)

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public works:				
Sanitation:				
Wages	\$ 111,000	\$ 111,000	\$ 128,440	\$ (17,440)
Fringes/benefits	51,516	51,516	62,288	(10,772)
Uniforms	3,000	3,000	3,416	(416)
Equipment maintenance	500	500	-	500
Fuel	26,000	26,000	20,750	5,250
Miscellaneous	-	-	855	(855)
Supplies	250	250	237	13
Vehicle maintenance	15,000	15,000	33,344	(18,344)
Total sanitation	207,266	207,266	249,330	(42,064)
Administration:				
Wages	310,000	310,000	353,044	(43,044)
Fringes/benefits	161,839	161,839	183,270	(21,431)
Signage	4,000	4,000	1,800	2,200
Fuel	30,000	30,000	35,625	(5,625)
Utilities	14,500	14,500	26,819	(12,319)
Vehicle maintenance	25,000	25,000	40,378	(15,378)
Building maintenance	2,000	2,000	4,550	(2,550)
Miscellaneous	1,000	1,000	35,170	(34,170)
Supplies	20,000	20,000	11,894	8,106
Uniforms	12,000	12,000	12,217	(217)
Travel, training, and education	7,500	7,500	4,709	2,791
General liability insurance	7,500	7,500	9,205	(1,705)
Internet fees	10,000	10,000	11,850	(1,850)
Equipment	10,000	10,000	16,292	(6,292)
Equipment maintenance	20,000	20,000	10,305	9,695
Snow removal	32,000	32,000	35,149	(3,149)
Total public works administration	667,339	667,339	792,277	(124,938)
Paving	120,000	120,000	260,053	(140,053)
Street Lights	45,000	45,000	52,947	(7,947)
Street, bridge, sidewalk maintenance	60,000	60,000	46,587	13,413
Total public works	1,099,605	1,099,605	1,401,194	(301,589)
(Continued)				

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Parks, recreation, and cultural:				
Wages	\$ 106,225	\$ 106,225	\$ 133,385	\$ (27,160)
Fringes/benefits	40,974	40,974	44,524	(3,550)
Advertising	750	750	300	450
Utilities	12,400	12,400	11,530	870
Uniforms	2,500	2,500	2,534	(34)
Travel, training, and education	3,000	3,000	1,831	1,169
Dues and professional memberships	200	200	75	125
Motor fuel expense	2,000	2,000	1,510	490
Adult activities	5,000	5,000	2,074	2,926
Building maintenance	10,000	10,000	25,851	(15,851)
Miscellaneous	1,000	1,000	21,160	(20,160)
Supplies	12,000	12,000	7,599	4,401
Youth activities	20,000	20,000	20,328	(328)
Equipment maintenance	4,000	4,000	7,606	(3,606)
Internet fees	10,000	10,000	12,800	(2,800)
General liability insurance	7,500	7,500	8,357	(857)
Equipment	3,000	3,000	2,022	978
Vehicle maintenance	-	-	1,609	(1,609)
Other recreation	6,000	6,000	6,466	(466)
Pool operation	25,000	25,000	26,368	(1,368)
Parks and playground	5,000	5,000	458	4,542
Engineering	-	-	8,493	(8,493)
Groundskeeping	12,000	12,000	7,031	4,969
Total parks, recreation, and cultural	<u>288,549</u>	<u>288,549</u>	<u>353,911</u>	<u>(65,362)</u>
Non-departmental:				
Capital improvements	320,000	320,000	242,268	77,732
Sanitation fund	6,000	6,000	-	6,000
Contingency	19,880	19,880	-	19,880
Total non-departmental	<u>345,880</u>	<u>345,880</u>	<u>242,268</u>	<u>103,612</u>
Debt service:				
Principal retirement	54,969	54,969	99,009	(44,040)
Interest and other fiscal charges	9,139	9,139	15,008	(5,869)
Total debt service	<u>64,108</u>	<u>64,108</u>	<u>114,017</u>	<u>(49,909)</u>
Total general fund expenditures	<u>\$ 3,301,009</u>	<u>\$ 3,301,009</u>	<u>\$ 3,796,542</u>	<u>\$ (495,533)</u>

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2010

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2007	\$ 3,981,205	\$ 3,343,964	\$ (637,241)	119.06%	\$ 1,105,550	-57.64%
June 30, 2008	\$ 4,379,185	\$ 3,772,382	\$ (606,803)	116.09%	\$ 1,242,524	-48.84%
June 30, 2009	\$ 4,381,353	\$ 4,034,254	\$ (347,099)	108.60%	\$ 1,279,479	-27.13%

OTHER INFORMATION SECTION

TABLE 1

TOWN OF TAZEWELL, VIRGINIA

GENERAL GOVERNMENT REVENUES BY SOURCES
Last Five Fiscal Years (1)

Fiscal Years Ended June 30,	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Fines and Forfeitures	Investment Earnings	Charges for Services	Refuse Charges	Inter- governmental	Other	Totals
2010	\$ 616,082	\$ 617,166	\$ 247,085	\$ 43,823	\$ 5,192	\$ 53,165	\$ 345,661	\$ 1,547,148	\$ 23,983	3,499,305
2009**	597,883	636,725	227,192	71,818	11,939	62,093	330,905	1,411,671	32,210	3,382,436
2008	551,644	532,414	218,272	56,683	64,053	68,416	305,258	1,577,495	384,200	3,758,435
2007	595,067	519,159	241,440	45,193	10,386	55,328	295,776	1,265,029	210,954	3,238,332
2006	*	*	*	*	*	*	*	*	*	*

(1) Consists solely of general fund revenues.

* Information unavailable, no audit performed for 2006

** Restated, see Note 15.

TOWN OF TAZEWELL, VIRGINIA

TABLE 2

**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
Last Five Fiscal Years (1)**

Fiscal Years Ended June 30,	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Capital Outlay	Debt Service	Totals
2010	\$ 620,832	\$ 1,068,147	\$ 1,211,690	\$ 353,911	\$ 242,268	\$ 114,017	\$ 3,610,865
2009	613,854	1,084,062	1,189,028	358,884	139,231	94,379	3,479,438
2008	667,697	1,362,242	1,084,981	258,905	434,347	320,063	4,128,235
2007	524,301	877,760	1,087,500	316,019	249,357	10,924	3,065,861
2006	*	*	*	*	*	*	*

(1) Consists solely of general fund expenditures.

*Information unavailable, no audit performed for 2006

TOWN OF TAZEWELL, VIRGINIA

TABLE 3

**LEGAL DEBT MARGIN INFORMATION
Last Five Fiscal Years**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt limit	\$ 21,830,100	\$ 21,798,160	\$ 21,691,900	\$ 21,798,160	\$ 21,564,590
Total net debt applicable to limit	<u>2,561,956</u>	<u>2,939,976</u>	<u>3,215,382</u>	<u>3,682,693</u>	<u>3,646,540</u>
Legal debt margin	<u><u>\$ 19,268,144</u></u>	<u><u>\$ 18,858,184</u></u>	<u><u>\$ 18,476,518</u></u>	<u><u>\$ 18,115,467</u></u>	<u><u>\$ 17,918,050</u></u>
Total net debt applicable to the limit as a percentage of debt limit	12%	13%	15%	17%	17%

Legal Debt Margin Calculation for Fiscal Years 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assessed value	<u><u>\$ 218,301,000</u></u>	<u><u>\$ 217,981,600</u></u>
Debt limit (10% of assessed value)	\$ 21,830,100	\$ 21,798,160
Less debt applicable to limit:		
Revenue bonds	665,521	913,818
General obligation bonds	1,657,090	1,685,764
Other long-term obligations	<u>239,345</u>	<u>340,394</u>
Legal debt margin	<u><u>\$ 19,268,144</u></u>	<u><u>\$ 18,858,184</u></u>

COMPLIANCE SECTION

**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**

Honorable Members of Town Council
Town of Tazewell, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 11, 2010. We conducted our audit 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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be material weaknesses in internal control over financial reporting.

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 Items 08-1 and 08-2 described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting.**

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is reported as Item 10-1 in the accompanying schedule of findings and responses.**

We noted certain other matters that we reported to management of the Town in a separate letter dated October 11, 2010.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, state and federal awarding agencies, pass-through entities, and the Tazewell Town Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 11, 2010

TOWN OF TAZEWELL, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2010

As more fully described in the 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*, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF TAZEWELL, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

A. FINDINGS – FINANCIAL STATEMENT AUDIT

08-1: Segregation of Duties (Material Weakness)

Condition:

In general, internal control is designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. Due to the limited size of the Finance Department, a proper separation of duties has not been established and maintained.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

Management concurs and is in the process of implementing controls, where possible, to alleviate such findings.

08-2: Financial Reporting Controls (Material Weakness)

Condition:

As more fully discussed in the letter on internal control matters, we noted a significant number of control deficiencies over the financial reporting process. These deficiencies resulted in material audit adjustments and are summarized as follows:

- There is no documentation of internal reviews over various financial system updates, changes, journal entries, or billing reports.
- The trial balance is not reviewed for accuracy or completeness and is not reconciled to subsidiary ledgers.
- Prior to the end of 2009, a formal bank reconciliation process was not performed. While current year bank reconciliations were performed, there was no reviews of these reconciliations.
- We detected unrecorded balances related to allowance for doubtful accounts, unbilled receivable accruals, accounts payable, payroll, and capital assets.
- Improper accounting of debt related items.
- Inadequate access controls over information technology systems.

TOWN OF TAZEWELL, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

08-2: Financial Reporting Controls (Material Weakness) (Continued)

Recommendation:

Management should review the current financial reporting process and related controls to avoid such instances in the future.

Management's Response:

Management concurs and is in the process of implementing controls, where possible, to alleviate such findings. Management is also currently working on an accounting manual.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

10-1: General Fund Budget Appropriations

Condition:

As noted in the budget-to-actual schedule beginning on page 27, certain general fund expenditure categories exceeded budgeted appropriations.

Recommendation:

Steps should be taken to ensure budgetary compliance.

Management's Response:

Management will monitor expenses and adjust the budget or issue amendments if necessary.