



Altavista Virginia

A place to live, a way to live.

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

TOWN OF ALTAVISTA, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

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TOWN OF ALTAVISTA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2013

TOWN COUNCIL

Mike Mattox, Mayor
Beverley Dalton, Vice Mayor
William Ferguson
James H. Higginbotham, II
Charles Edwards
Tracy Emerson
Tim George

APPOINTED OFFICIALS

J. Waverly Coggsdale, III Town Manager
John Eller Town Attorney
Tobie Shelton Treasurer
Clay Hamilton Chief of Police

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Town Council
Town of Altavista, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Altavista, 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 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 schedule of pension 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 Altavista, Virginia's basic financial statements. The 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 other supplementary information is 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical tables 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 October 31, 2013, on our consideration of the Town of Altavista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Altavista, Virginia's internal control over financial reporting and compliance.


Charlottesville, Virginia
October 31, 2013

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2013

	Primary Government			Discretely Presented Component Unit
				Altavista
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 9,833,927	\$ 809,805	\$ 10,643,732	\$ 92,514
Cash and cash equivalents, restricted	23,022	-	23,022	-
Receivables, (net of allowance for uncollectibles)	179,263	462,448	641,711	-
Due from other governments	286,514	-	286,514	-
Due from primary government	-	-	-	26,281
Internal balances	87,665	(87,665)	-	-
Prepaid expense	21,061	11,544	32,605	-
Inventory	58,710	-	58,710	-
Total current assets	\$ 10,490,162	\$ 1,196,132	\$ 11,686,294	\$ 118,795
Noncurrent assets:				
Capital assets:				
Land and construction in progress	\$ 2,177,408	\$ 1,189,158	\$ 3,366,566	\$ -
Buildings, infrastructure, and equipment (net of accumulated depreciation)	4,345,019	11,677,759	16,022,778	-
Total noncurrent assets	\$ 6,522,427	\$ 12,866,917	\$ 19,389,344	\$ -
Total assets	\$ 17,012,589	\$ 14,063,049	\$ 31,075,638	\$ 118,795
Liabilities:				
Current liabilities:				
Accounts payable	\$ 144,189	\$ 131,435	\$ 275,624	\$ 112,000
Accrued liabilities	61,030	35,493	96,523	-
Due to Component Unit EDA	26,281	-	26,281	-
Customer deposits	-	18,693	18,693	-
Environmental remediation	-	750,000	750,000	-
Current portion of long-term obligations	108,359	41,384	149,743	-
Total current liabilities	\$ 339,859	\$ 977,005	\$ 1,316,864	\$ 112,000
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	\$ 36,120	\$ 13,795	\$ 49,915	\$ -
Total liabilities	\$ 375,979	\$ 990,800	\$ 1,366,779	\$ 112,000
Net Position:				
Net investment in capital assets	\$ 6,522,427	\$ 12,866,917	\$ 19,389,344	\$ -
Restricted	591,122	-	591,122	-
Unrestricted	9,523,061	205,332	9,728,393	6,795
Total net position	\$ 16,636,610	\$ 13,072,249	\$ 29,708,859	\$ 6,795
Total liabilities and net position	\$ 17,012,589	\$ 14,063,049	\$ 31,075,638	\$ 118,795

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

TOWN OF ALTAVISTA, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 939,883	\$ -	\$ -	\$ -
Public safety	938,098	55,506	109,388	-
Public works	1,476,862	6,652	671,468	270,840
Parks, recreation, and cultural	220,373	-	-	-
Community development	75,732	-	-	-
Interest on long-term debt	1,851	-	-	-
Total governmental activities	\$ 3,652,799	\$ 62,158	\$ 780,856	\$ 270,840
Business - type activities				
Water and sewer	\$ 2,631,192	\$ 2,525,409	\$ -	\$ -
Total business-type activities	\$ 2,631,192	\$ 2,525,409	\$ -	\$ -
Total primary government	\$ 6,283,991	\$ 2,587,567	\$ 780,856	\$ 270,840
Component Unit:				
Altavista Economic Development Authority	\$ 71,547	\$ -	\$ -	\$ -
General Revenues				
Property taxes				
Meal taxes				
Sales and use taxes				
Bank stock taxes				
Business license taxes				
Other local taxes				
Grants and contributions not restricted to specific programs				
Revenue from use of money and property				
Contributions from primary government				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
\$ (939,883)	\$ -	\$ (939,883)	\$ -
(773,204)	-	(773,204)	-
(527,902)	-	(527,902)	-
(220,373)	-	(220,373)	-
(75,732)	-	(75,732)	-
(1,851)	-	(1,851)	-
<u>\$ (2,538,945)</u>	<u>\$ -</u>	<u>\$ (2,538,945)</u>	<u>\$ -</u>
\$ -	\$ (105,783)	\$ (105,783)	\$ -
\$ -	\$ (105,783)	\$ (105,783)	\$ -
<u>\$ (2,538,945)</u>	<u>\$ (105,783)</u>	<u>\$ (2,644,728)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,547)</u>
\$ 2,147,020	\$ -	\$ 2,147,020	\$ -
682,194	-	682,194	-
147,796	-	147,796	-
160,104	-	160,104	-
162,553	-	162,553	-
239,648	-	239,648	-
230,016	-	230,016	-
137,327	3,388	140,715	143
-	-	-	68,875
66,955	-	66,955	15,618
(551,270)	551,270	-	-
<u>\$ 3,422,343</u>	<u>\$ 554,658</u>	<u>\$ 3,977,001</u>	<u>\$ 84,636</u>
\$ 883,398	\$ 448,875	\$ 1,332,273	\$ 13,089
<u>15,753,212</u>	<u>12,623,374</u>	<u>28,376,586</u>	<u>(6,294)</u>
<u>\$ 16,636,610</u>	<u>\$ 13,072,249</u>	<u>\$ 29,708,859</u>	<u>\$ 6,795</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Fund
 At June 30, 2013

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 9,833,927
Cash and cash equivalents, restricted	23,022
Receivables (net of allowance for uncollectibles):	
Taxes	40,268
Accounts	138,995
Due from other governments	286,514
Due from other funds	87,665
Prepaid expense	21,061
Inventory	<u>58,710</u>
 Total assets	 \$ <u><u>10,490,162</u></u>
Liabilities:	
Accounts payable	\$ 144,189
Accrued liabilities	61,030
Due to Component Unit EDA	<u>26,281</u>
 Total liabilities	 \$ <u>231,500</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ <u>58,127</u>
Fund Balance:	
Nonspendable	\$ 79,771
Restricted	591,122
Committed	3,796,247
Assigned	2,265
Unassigned	<u>5,731,130</u>
 Total fund balance	 \$ <u>10,200,535</u>
 Total liabilities, deferred inflows of resources and fund balance	 \$ <u><u>10,490,162</u></u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2013

Total fund balance for governmental funds (Exhibit 3) \$ 10,200,535

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and construction in progress	\$ 2,177,408
Depreciable capital assets, net of accumulated depreciation	<u>4,345,019</u>

Total capital assets	6,522,427
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	58,127
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Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	\$ <u>(144,479)</u>
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Total long-term liabilities	<u>(144,479)</u>
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Total net position of governmental activities (Exhibits 1 and 2)	\$ <u><u>16,636,610</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2013

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 2,160,291
Other local taxes	1,392,295
Permits, privilege fees and regulatory licenses	21,770
Fines and forfeitures	33,736
Revenue from use of money and property	137,327
Charges for services	6,652
Miscellaneous	66,955
Intergovernmental	<u>1,281,712</u>
Total revenues	<u>\$ 5,100,738</u>
Expenditures:	
Current:	
General government administration	\$ 913,188
Public safety	908,466
Public works	1,425,426
Parks, recreation and cultural	171,119
Community development	75,732
Capital outlay	316,366
Debt service:	
Principal retirement	52,870
Interest and other fiscal charges	<u>3,701</u>
Total expenditures	<u>\$ 3,866,868</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,233,870</u>
Other financing sources (uses):	
Transfers out	<u>\$ (551,270)</u>
Total other financing sources (uses)	<u>\$ (551,270)</u>
Net changes in fund balance	\$ 682,600
Fund balance at beginning of year	<u>9,517,935</u>
Fund balance at end of year	<u><u>\$ 10,200,535</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balance - total governmental funds (Exhibit 5) \$ 682,600

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 depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 497,247	
Depreciation expense	<u>(335,697)</u>	161,550

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in unearned revenue - taxes. (13,271)

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. Details of this adjustment are as follows:

Principal retired on BGF Industries agreement	\$ <u>52,870</u>	52,870
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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. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (2,201)	
Change in interest payable	<u>1,850</u>	<u>(351)</u>

Change in net position of governmental activities (Exhibit 2)	\$ <u><u>883,398</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 At June 30, 2013

		Business-Type Activities Enterprise Fund Water and Sewer
Assets:		
Current assets:		
Cash and cash equivalents	\$	809,805
Receivables (net of allowance for uncollectibles):		
Accounts		462,448
Prepaid expenses		11,544
Total current assets	\$	1,283,797
Noncurrent assets:		
Capital assets:		
Construction in progress	\$	1,189,158
Buildings, infrastructure, and equipment, net of accumulated depreciation		11,677,759
Total noncurrent assets	\$	12,866,917
Total assets	\$	14,150,714
Liabilities:		
Current liabilities:		
Accounts payable	\$	131,435
Accrued liabilities		35,493
Due to other funds		87,665
Customers' deposits		18,693
Environmental remediation		750,000
Compensated absences - current portion		41,384
Total current liabilities	\$	1,064,670
Noncurrent liabilities:		
Compensated absences - noncurrent portion	\$	13,795
Total noncurrent liabilities	\$	13,795
Total liabilities	\$	1,078,465
Net Position:		
Net investment in capital assets	\$	12,866,917
Unrestricted		205,332
Total net position	\$	13,072,249
Total liabilities and net position	\$	14,150,714

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2013

		Business-Type Activities Enterprise Fund Water and Sewer
Operating revenues:		
Charges for services	\$	2,490,550
Other		34,859
Total operating revenues	\$	2,525,409
Operating expenses:		
Salaries	\$	830,583
Fringe benefits		262,470
Maintenance		43,594
Utilities		413,835
Materials and supplies		294,745
Sample testing		17,242
Purchase of water		4,007
Other		51,397
Depreciation		713,319
Total operating expenses	\$	2,631,192
Operating income (loss)	\$	(105,783)
Nonoperating revenues (expenses):		
Interest revenue	\$	3,388
Net nonoperating revenues (expenses)	\$	3,388
Loss before transfers	\$	(102,395)
Transfers:		
Transfers in	\$	551,270
Net transfers	\$	551,270
Change in net position	\$	448,875
Net position, beginning of year		12,623,374
Net position, end of year	\$	13,072,249

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2013

	Business-Type Activities Enterprise Fund Water and Sewer
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,360,739
Payments to suppliers	(756,875)
Payments for employees	(1,086,412)
Net cash provided by (used for) operating activities	\$ 517,452
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (465,219)
Net cash provided by (used for) capital and related financing activities	\$ (465,219)
Cash flows from noncapital financing activities:	
Transfer from other funds	\$ 551,270
Due to other funds	(646,838)
Net cash provided by (used for) noncapital financing activities	\$ (95,568)
Cash flows from investing activities:	
Interest revenue	\$ 3,388
Net cash provided by investing activities	\$ 3,388
Increase in cash and cash equivalents	\$ (39,947)
Cash and cash equivalents at beginning of year	849,752
Cash and cash equivalents at end of year	\$ 809,805
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (105,783)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations:	
Depreciation and amortization	713,319
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts receivable	(165,318)
(Increase)/Decrease in prepaid expenses	(755)
Increase/(Decrease) in accounts payable	68,700
Increase/(Decrease) in accrued liabilities	4,972
Increase/(Decrease) in compensated absences	1,669
Increase/(Decrease) in customer deposits	648
Net cash provided by (used for) operating activities	\$ 517,452

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

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TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Financial Reporting Entity

Primary Government - The Town of Altavista (the “Town”) was established in 1912. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Town Council consists of a mayor, a vice mayor, and five other council members. The Town is part of Campbell County and has taxing powers subject to statewide restrictions and tax limits.

The Town of Altavista provides a full range of municipal services including police, refuse collection, public improvements, planning and zoning, general administrative services, fire, recreation, and water and sewer services. Fire and first aid services are supplemented by volunteer departments.

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete. It is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Town.

Altavista Economic Development Authority

The Altavista Economic Development Authority (the “EDA”) was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The EDA is governed by a Board of Directors appointed by Town Council and the Town is financially accountable for the EDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development.

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 position and the statement of activities) 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. Likewise, the *primary* government is reported separately from its legally separated *component unit* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-Wide and Fund Financial Statements: (Continued)

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 governmental funds and proprietary funds. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

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 collected 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 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 government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The Town's only nonmajor governmental fund is the library fund.

The Town reports the following major proprietary fund:

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

The *water and sewer 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 water and sewer enterprise fund consists of the activities relating to water and sewer services.

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.

D. Net Position Flow Assumption

Sometimes Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund 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.

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Town Council 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 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 level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council.
- 5) Formal budgetary integration is employed as a management control device during the year.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2013 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Budgets and Budgetary Accounting: (Continued)

- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapse on June 30 for all Town units.
- 7) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

Excess of Expenditures over Appropriations

At June 30, total expenditures related to parks, recreation, and cultural exceeded budgeted amounts by \$119.

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.

G. Inventory

Inventory consists of expendable supplies held for consumption. Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

I. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The Town considers all accounts receivable related to the business-type activity to be fully collectible and accordingly, no allowance for doubtful accounts is considered necessary. The allowance for the general fund is composed of the following:

Real estate	\$ 1,526
Personal property	<u>16,239</u>
Total	<u>\$ 17,765</u>

J. 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. *Capital assets* are defined by the government as assets with an initial, individual cost of more than \$5,000 and a useful life of more than 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.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2013 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Capital Assets: (Continued)

The costs 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. Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30-40
Machinery and equipment	5-10
Public domain infrastructure	50
Distribution and transmission systems	30-50
Water and sewer plants	30-50

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and includes all activity since July 1, 2001.

J. Capitalization of Interest

The Town follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. For the current year, no interest was capitalized in the water and sewer fund.

K. Unearned Revenue

Governmental funds report *unearned 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, *unavailable revenue* in the governmental funds consisted of delinquent property taxes not collected within 45 days of year end.

L. Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

M. 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 the 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The following classifications describe the relative strength of spending constraints placed on the purposes for which resources can be used:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** - 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** - Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** - Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Council which has been designated this authority.
- **Unassigned** - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by 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).

O. Restricted Resources-Fund Balance

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Minimum Fund Balance Policy

Governmental funds of the Town do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by Council.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Encumbrances

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 appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2013.

R. Uses 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. 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.

S. Performance Grants Payable

Performance grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

T. 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.

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 does not have any deferred inflows of resources as of June 30, 2013.

U. 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

V. 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—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 ledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Pursuant to Sec. 2.1-234.7 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy specifies that no investment may have a maturity greater than one year from the date of purchase.

The Town has invested bond proceeds subject to rebate of arbitrage earnings in SNAP. SNAP is an open-end management investment company registered with the SEC. SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities, and towns.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Credit Risk:

As required by state statute or by the Town, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody's and Standard & Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody's or Standard & Poor's. Repurchase agreements require that the counterparty be rated "A" or better by Moody's and Standard & Poor's.

Concentration of Credit Risk:

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

At June 30, all of the Town's investments were held in LGIP. All investments were rated AAAM by Standard & Poor's.

	<u>Fair Value</u>
Investments:	
LGIP	\$ 64,823
Deposits	<u>10,694,145</u>
 Total deposits and investments	 <u>\$ 10,758,968</u>

Reconciliation to Statement of Net Assets - Exhibit 1:

Primary government:

Cash and cash equivalents, excluding \$300 cash on hand	\$ 10,643,432
Cash and cash equivalents, restricted	23,022

Discretely presented component unit:

Cash and cash equivalents	<u>92,514</u>
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Total deposits and investments	<u>\$ 10,758,968</u>
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TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2013 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Interest Rate Risk:

The Policy limits certain investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Agency securities purchased must mature within five years of the date of purchase. Prime commercial paper must mature within 270 days of the date of purchase and banker's acceptances must mature within 180 days of the date of purchase. The Town is only invested in LGIP at year end, in which funds are readily available.

Custodial Credit Risk:

The Policy requires that all investment securities purchased by the Town be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, the Town has no investments subject to custodial credit risk.

Restricted Amounts:

Restricted cash and cash equivalents consist of CDBG Loan Pool.

NOTE 3—RECEIVABLES:

Receivables are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 58,033	\$ -	\$ 58,033
Accounts	<u>138,995</u>	<u>462,448</u>	<u>601,443</u>
Gross receivables	\$ 197,028	\$ 462,448	\$ 659,476
Less: allowance for uncollectibles	<u>(17,765)</u>	<u>-</u>	<u>(17,765)</u>
Net receivables	<u>\$ 179,263</u>	<u>\$ 462,448</u>	<u>\$ 641,711</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 4-INTERFUND RECEIVABLES AND PAYABLES/INTERFUND TRANSFERS:

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ <u>87,665</u>

The balance results from negative pooled cash amounts in the water and sewer fund.

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 551,270
Water and Sewer Fund	<u>551,270</u>	<u>-</u>
Total	\$ <u>551,270</u>	\$ <u>551,270</u>

NOTE 5-DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Personal property tax relief	\$ 18,025
Railroad rolling stock	18,055
Local sales taxes	12,135
Communication taxes	6,576
State fire grant	1,539
Mobile home tax	267
Federal Government:	
Mass transit	3,371
T-21 grant	55,863
LAP grant	<u>170,683</u>
Total	\$ <u>286,514</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 257,486	\$ -	\$ -	\$ 257,486
Construction in Progress	<u>1,702,300</u>	<u>341,509</u>	<u>123,887</u>	<u>1,919,922</u>
Total capital assets not being depreciated	<u>\$ 1,959,786</u>	<u>\$ 341,509</u>	<u>\$ 123,887</u>	<u>\$ 2,177,408</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,037,690	\$ 123,887	\$ -	\$ 3,161,577
Machinery and equipment	3,247,718	155,738	161,843	3,241,613
Public domain infrastructure	<u>1,838,150</u>	<u>-</u>	<u>-</u>	<u>1,838,150</u>
Total capital assets being depreciated	<u>\$ 8,123,558</u>	<u>\$ 279,625</u>	<u>\$ 161,843</u>	<u>\$ 8,241,340</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,046,804	\$ 88,776	\$ -	\$ 1,135,580
Machinery and equipment	2,306,812	192,489	161,843	2,337,458
Public domain infrastructure	<u>368,851</u>	<u>54,432</u>	<u>-</u>	<u>423,283</u>
Total accumulated depreciation	<u>\$ 3,722,467</u>	<u>\$ 335,697</u>	<u>\$ 161,843</u>	<u>\$ 3,896,321</u>
Total capital assets being depreciated, net	<u>\$ 4,401,091</u>	<u>\$ (56,072)</u>	<u>\$ -</u>	<u>\$ 4,345,019</u>
Governmental activities capital assets, net	<u>\$ 6,360,877</u>	<u>\$ 285,437</u>	<u>\$ 123,887</u>	<u>\$ 6,522,427</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6-CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in Progress	\$ 809,008	\$ 380,150	\$ -	\$ 1,189,158
Total capital assets not being depreciated	\$ 809,008	\$ 380,150	\$ -	\$ 1,189,158
Capital assets, being depreciated:				
Distributions and transmission systems	\$ 11,624,720	\$ -	\$ -	\$ 11,624,720
Water and sewer plants	13,090,320	-	-	13,090,320
Machinery and equipment	1,978,087	85,069	-	2,063,156
Total capital assets being depreciated	\$ 26,693,127	\$ 85,069	\$ -	\$ 26,778,196
Less accumulated depreciation	\$ 14,387,118	\$ 713,319	\$ -	\$ 15,100,437
Total capital assets being depreciated, net	\$ 12,306,009	\$ (628,250)	\$ -	\$ 11,677,759
Net capital assets	\$ 13,115,017	\$ (248,100)	\$ -	\$ 12,866,917

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 35,904
Public safety	65,049
Public works	164,773
Parks, recreation and cultural	69,971
Total governmental activities	\$ 335,697
Business-type activities:	
Water and sewer	\$ 713,319
Total business-type activities	\$ 713,319

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM LIABILITIES:

Prior Year Defeasance of Debt

In 2003, the Town defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the Town's financial statements. At June 30, 2013, \$1,815,948 of bonds outstanding is considered defeased.

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Other long-term liability	\$ 52,870	\$ -	\$ 52,870	\$ -	\$ -
Compensated absences	<u>142,278</u>	<u>2,201</u>	<u>-</u>	<u>144,479</u>	<u>108,359</u>
Total Governmental Activities	<u>\$ 195,148</u>	<u>\$ 2,201</u>	<u>\$ 52,870</u>	<u>\$ 144,479</u>	<u>\$ 108,359</u>
Business-Type Activities:					
Compensated absences	\$ <u>53,510</u>	\$ <u>1,669</u>	\$ <u>-</u>	\$ <u>55,179</u>	\$ <u>41,384</u>
Total Business-Type Activities	<u>\$ 53,510</u>	<u>\$ 1,669</u>	<u>\$ -</u>	<u>\$ 55,179</u>	<u>\$ 41,384</u>
Total Primary Government	<u>\$ 248,658</u>	<u>\$ 3,870</u>	<u>\$ 52,870</u>	<u>\$ 199,658</u>	<u>\$ 149,743</u>

NOTE 8—ENVIRONMENTAL REMEDIATION:

The Department of Environmental Quality (DEQ) has designated the Town a potential responsible party for cleanup of PCBs on certain Town owned property. There are several courses of action that the Town is considering to remedy the situation, with estimated costs ranging from \$750,000 to \$4,000,000. Management has submitted plans for the \$750,000 option to the DEQ. The estimated liability is based on the DEQ accepting this remedy proposed by the Town. If the DEQ does not accept the remedy, the actual costs may be more or less depending on their decision. The Town anticipates completing the project during fiscal year 2014 or 2015.

NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (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 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.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested as of 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.

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

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.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town of Altavista, 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 Altavista, Virginia's contribution rate for the fiscal year ended 2013 was 11.04% of annual covered payroll.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$246,228 (not including the employee contribution of \$111,517) was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 246,228	100%	\$ -
June 30, 2012	120,132	100%	-
June 30, 2011	120,648	100%	-

(1) Employer portion only

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 County/City/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. County/City/Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 81.86% funded. The actuarial accrued liability for benefits was \$9,381,859, and the actuarial value of assets was \$7,679,879, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,701,980. The covered payroll (annual payroll of active employees covered by the plan) was \$2,059,807, and ratio of the UAAL to the covered payroll was 82.63%.

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.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2013 (Continued)

NOTE 10–SERVICE CONTRACTS:

Sewage Contract

The Town is party to a 1991 contract with the Town of Hurt. The Town of Hurt made a capital contribution of \$325,000 to be used for expansion of a wastewater treatment plant. In exchange for the capital contribution, the Town contracted to provide sewage services for an indefinite period to an industrial park within the Town of Hurt. The contract provides that these services will be provided at the same rate the Town charges other customers for similar services.

NOTE 11–PROPERTY TAXES:

The major sources of property taxes are real estate and personal property. Assessments are the responsibility of Campbell 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 each year. Personal property taxes do not create a lien on property. The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of ten percent of the unpaid tax is due for late payment. Interest is accrued at ten percent for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$	0.16
Personal property	\$	2.00
Machinery and tools	\$	2.00

NOTE 12–RISK MANAGEMENT:

The Town is insured for Workers' Compensation, General Liability, Health, and other risks.

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2012-2013, total premiums paid were approximately \$44,829. 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 is provided through policies with the Virginia Municipal League. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$5,000,000 limit. Property insurance is covered per statement of values and is approximately \$25,000,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2013 were approximately \$64,964.

Healthcare coverage for employees is provided through a policy with Anthem. 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, 2013 were approximately \$250,242.

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 13-MAJOR CUSTOMERS/TAXPAYERS:

During fiscal year 2013, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

NOTE 14-FUND BALANCE:

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and other governmental fund are presented below:

<u>Category</u>	<u>General Fund</u>
Nonspendable:	
Prepaid Expenses	\$ 21,061
Inventory	58,710
Total Nonspendable	\$ 79,771
Restricted:	
Public Works	\$ 534,500
Community Development	47,669
Public Safety	8,953
Total Restricted	\$ 591,122
Committed:	
Community Development	\$ 277,558
Public Works	491,965
Other Capital Projects	3,026,724
Total Committed	\$ 3,796,247
Assigned:	
Community Development	\$ 2,265
Total Assigned	\$ 2,265
Unassigned	\$ 5,779,962
Total Fund Balance	\$ 10,249,367

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 15—PENDING GASB STATEMENTS:

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town has not determined the impact of this pronouncement on its financial statements.

NOTE 16—LITIGATION:

At June 30, 2013, there were no matters of litigation involving the Town for which would materially affect the Town’s financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 17—CONSTRUCTION COMMITMENTS:

The Town had the following significant outstanding construction commitments as of June 30, 2013:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Main Street and Pittsylvania Intersection Improvements and Downtown Streetscape and Infrastructure Improvements	\$ 2,200,986	\$ 609,984	\$ 1,591,002

Required Supplementary Information

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

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 2,147,500	\$ 2,147,500	\$ 2,160,291	\$ 12,791
Other local taxes	1,233,800	1,233,800	1,392,295	158,495
Permits, privilege fees and regulatory licenses	16,000	16,000	21,770	5,770
Fines and forfeitures	8,200	8,200	33,736	25,536
Use of money and property	57,200	62,400	137,327	74,927
Charges for services	7,700	7,700	6,652	(1,048)
Miscellaneous	28,200	32,354	66,955	34,601
Intergovernmental	2,835,000	2,939,500	1,281,712	(1,657,788)
Total revenues	<u>\$ 6,333,600</u>	<u>\$ 6,447,454</u>	<u>\$ 5,100,738</u>	<u>\$ (1,346,716)</u>
Expenditures				
Current:				
General Government Administration	\$ 948,000	\$ 953,000	\$ 913,188	\$ 39,812
Public Safety	1,011,830	1,014,330	908,466	105,864
Public Works	1,721,300	1,833,854	1,425,426	408,428
Parks, Recreation, and Cultural	150,000	171,000	171,119	(119)
Community Development	106,700	106,700	75,732	30,968
Capital Outlay	2,001,000	2,001,000	316,366	1,684,634
Debt service:				
Principal retirement	52,900	52,900	52,870	30
Interest and other fiscal charges	3,700	3,700	3,701	(1)
Total expenditures	<u>\$ 5,995,430</u>	<u>\$ 6,136,484</u>	<u>\$ 3,866,868</u>	<u>\$ 2,269,616</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 338,170</u>	<u>\$ 310,970</u>	<u>\$ 1,233,870</u>	<u>\$ 922,900</u>
Other Financing Sources (Uses)				
Transfers in	\$ 303,100	\$ 321,300	\$ -	\$ (321,300)
Transfers out	(641,270)	(641,270)	(551,270)	90,000
Net Transfers	<u>\$ (338,170)</u>	<u>\$ (319,970)</u>	<u>\$ (551,270)</u>	<u>\$ (231,300)</u>
Net change in fund balance	\$ -	\$ (9,000)	\$ 682,600	\$ 691,600
Fund balance, beginning of year	-	9,000	9,517,935	9,508,935
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,200,535</u>	<u>\$ 10,200,535</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Pension Funding Progress for Defined Benefit Pension Plan
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2012	\$ 7,679,879	\$ 9,381,859	\$ 1,701,980	81.86%	\$ 2,059,807	82.63%
June 30, 2011	7,792,366	8,889,421	1,097,055	87.66%	2,063,637	53.16%
June 30, 2010	7,707,286	8,265,071	557,785	93.25%	2,048,370	27.23%

Supporting Schedules

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Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Net Position
Proprietary Fund
At June 30, 2013

Assets:

Current assets:

Cash and cash equivalents	\$	92,514
Due from primary government		<u>26,281</u>
Total current assets	\$	<u>118,795</u>
Total assets	\$	<u><u>118,795</u></u>

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	\$	<u>112,000</u>
Total liabilities	\$	<u>112,000</u>

Net Position:

Unrestricted	\$	<u>6,795</u>
Total net position	\$	<u>6,795</u>
Total liabilities and net position	\$	<u><u>118,795</u></u>

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2013

Operating expenses:

Incentive payments	\$	36,750
Other expenses		<u>34,797</u>
Total operating expenses	\$	<u>71,547</u>
Operating income (loss)	\$	<u>(71,547)</u>

Nonoperating revenues (expenses):

Contributions from primary government	\$	68,875
Other income		15,618
Interest income		<u>143</u>

Net nonoperating revenues (expenses)	\$	<u>84,636</u>
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Change in net position	\$	13,089
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Net position, beginning of year		<u>(6,294)</u>
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Net position, end of year	\$	<u><u>6,795</u></u>
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Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2013

Cash flows from operating activities:	
Payments for performance incentive grants	\$ (10,000)
Payments for other expenses	<u>(34,797)</u>
Net cash provided by (used for) operating activities	\$ <u>(44,797)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	\$ <u>42,625</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>42,625</u>
Cash flows from investing activities:	
Interest income	\$ 112
Other income	<u>15,618</u>
Net cash provided by investing activities	\$ <u>15,730</u>
Increase in cash and cash equivalents	\$ 13,558
Cash and cash equivalents at beginning of year	<u>78,956</u>
Cash and cash equivalents at end of year	\$ <u><u>92,514</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (71,547)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations:	
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts payable and accrued liabilities	<u>26,750</u>
Net cash provided by (used for) operating activities	\$ <u><u>(44,797)</u></u>

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Statistical Tables

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General Government Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Miscellaneous	Inter-governmental	Total
2012-13	\$ 2,160,291	\$ 1,392,295	\$ 21,770	\$ 33,736	\$ 137,327	\$ 73,607	\$ 1,281,712	\$ 5,100,738
2011-12	2,150,003	1,316,552	16,915	28,577	98,531	70,521	1,412,204	5,093,303
2010-11	2,198,629	1,346,196	1,160	14,942	39,371	143,427	2,016,179	5,759,904
2009-10	2,162,977	1,319,767	660	9,747	78,263	151,693	1,258,475	4,981,582
2008-09	2,047,392	1,325,078	870	10,933	161,059	208,274	1,026,344	4,779,950
2007-08	1,995,533	1,297,749	718	11,035	288,709	178,839	820,474	4,593,057
2006-07	1,979,013	1,285,877	10,488	24,882	305,232	195,269	808,547	4,609,308
2005-06	1,942,439	1,137,224	18,008	31,277	193,301	145,564	833,324	4,301,137
2004-05	1,689,246	1,108,255	17,604	16,812	126,926	185,707	774,876	3,919,426
2003-04	1,728,289	1,157,142	17,918	29,179	72,382	123,088	853,300	3,981,298

(1) Consists solely of general fund revenues

General Government Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Public Safety	Public Works	Recreation and Cultural	Community Development (2)	Capital Outlay	Debt Service	Total
2012-13	\$ 913,188	\$ 908,466	\$ 1,425,426	\$ 171,119	\$ 75,732	\$ 316,366	\$ 56,571	\$ 3,866,868
2011-12	942,180	1,536,328	1,816,541	260,844	-	595,155	292,356	5,443,404
2010-11	798,637	965,170	1,092,989	287,332	-	1,654,469	82,770	4,881,367
2009-10	873,090	809,229	1,100,745	407,280	-	1,000,165	82,771	4,273,280
2008-09	843,025	812,925	1,310,206	359,546	-	368,475	81,778	3,775,955
2007-08	862,765	801,058	1,469,131	266,062	-	291,182	81,778	3,771,976
2006-07	912,491	742,332	1,199,129	265,425	-	953,788	62,873	4,136,038
2005-06	840,103	826,763	1,474,907	284,406	-	475,640	-	3,901,819
2004-05	808,124	913,427	1,192,425	270,556	-	508,258	10,018	3,702,808
2003-04	710,765	694,842	1,403,846	183,875	-	171,924	10,000	3,175,252

(1) Consists solely of general fund expenditures.

(2) Economic Development was a new department in 2012-2013.

Computation of Legal Debt Limit
June 30, 2013

Assessed value of real estate, January 1, 2012	\$ <u>259,058,026</u>
Legal debt limit, (10% of \$259,058,026)	\$ 25,905,803
Total bonded debt	<u>-</u>
Legal debt margin	\$ <u>25,905,803</u>

TOWN OF ALTAVISTA, VIRGINIA

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years

	2004	2005	2006	2007
Revenues:				
General property taxes	\$ 1,728,289	\$ 1,689,246	\$ 1,942,439	\$ 1,979,013
Other local taxes	1,157,142	1,108,255	1,137,224	1,285,877
Permits, privilege fees and regulatory licenses	17,918	17,604	18,008	10,488
Fines and forfeitures	29,179	16,812	31,277	24,882
Revenue from use of money and property	77,349	129,512	196,789	311,025
Charges for services	35,688	39,586	41,301	22,705
Miscellaneous	164,108	146,121	104,263	172,564
Intergovernmental	853,300	774,876	833,324	808,547
Total revenues	\$ 4,062,973	\$ 3,922,012	\$ 4,304,625	\$ 4,615,101
Expenditures:				
General government administration	\$ 710,765	\$ 808,124	\$ 840,103	\$ 912,491
Public safety	694,842	913,427	826,763	742,332
Public works	1,403,846	1,192,425	1,474,907	1,199,129
Parks, recreation, and cultural	201,351	290,742	306,242	289,113
Community development	-	-	-	-
Capital outlay	432,074	600,122	478,476	953,788
Debt service:				
Principal retirement	8,561	9,277	-	41,176
Interest and other fiscal charges	1,439	741	-	21,697
Total expenditures	\$ 3,452,878	\$ 3,814,858	\$ 3,926,491	\$ 4,159,726
Excess (deficiency) of revenues over (under) expenditures	\$ 610,095	\$ 107,154	\$ 378,134	\$ 455,375
Other financing sources (uses):				
Transfers in	\$ -	\$ 147,038	\$ 22,381	\$ 23,622
Transfers (out)	-	(147,038)	(22,381)	(23,622)
Other long-term liability proceeds	-	-	307,303	-
Issuance of debt	-	-	-	288,000
Total other financing sources (uses)	\$ -	\$ -	\$ 307,303	\$ 288,000
Special Items:				
Sale of shell building	\$ -	\$ -	\$ -	\$ 288,000
Net changes in fund balances	\$ 610,095	\$ 107,154	\$ 685,437	\$ 1,031,375
Fund balance, beginning	6,274,734	6,884,829	6,991,983	7,677,420
Fund balance, ending	\$ 6,884,829	\$ 6,991,983	\$ 7,677,420	\$ 8,708,795

Table 4

	2008	2009	2010	2011	2012	2013
\$	1,995,533	\$ 2,047,392	\$ 2,162,977	\$ 2,198,629	\$ 2,150,003	\$ 2,160,291
	1,297,749	1,325,078	1,319,767	1,346,196	1,316,552	1,392,295
	718	870	660	1,160	16,915	21,770
	11,035	10,933	9,747	14,942	28,577	33,736
	293,145	163,318	78,619	39,371	98,576	137,327
	31,516	35,867	38,614	24,193	5,867	6,652
	147,325	172,407	113,079	119,234	64,654	66,955
	820,474	1,026,344	1,258,475	2,016,179	1,412,204	1,281,712
\$	<u>4,597,495</u>	<u>4,782,209</u>	<u>4,981,938</u>	<u>5,759,904</u>	<u>5,093,348</u>	<u>5,100,738</u>
\$	862,765	\$ 843,025	\$ 873,090	\$ 798,637	\$ 942,180	\$ 913,188
	801,058	812,925	809,229	965,170	1,536,328	908,466
	1,469,131	1,310,206	1,100,745	1,092,989	1,816,541	1,425,426
	279,008	371,936	420,437	308,698	278,255	171,119
	-	-	-	-	-	75,732
	291,182	368,475	1,047,267	1,806,852	595,155	316,366
	52,374	55,579	59,614	63,269	280,378	52,870
	29,404	26,199	23,157	19,501	11,978	3,701
\$	<u>3,784,922</u>	<u>3,788,345</u>	<u>4,333,539</u>	<u>5,055,116</u>	<u>5,460,815</u>	<u>3,866,868</u>
\$	<u>812,573</u>	<u>993,864</u>	<u>648,399</u>	<u>704,788</u>	<u>(367,467)</u>	<u>1,233,870</u>
\$	172,683	\$ 17,080	\$ 45,947	\$ 16,045	\$ 577,419	\$ -
	(627,776)	(723,300)	(109,151)	(443,145)	(620,819)	(551,270)
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>(455,093)</u>	<u>(706,220)</u>	<u>(63,204)</u>	<u>(427,100)</u>	<u>(43,400)</u>	<u>(551,270)</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	357,480	\$ 287,644	\$ 585,195	\$ 277,688	\$ (410,867)	\$ 682,600
	8,420,795	8,778,275	9,065,919	9,651,114	9,928,802	9,517,935
\$	<u>8,778,275</u>	<u>9,065,919</u>	<u>9,651,114</u>	<u>9,928,802</u>	<u>9,517,935</u>	<u>10,200,535</u>

TOWN OF ALTAVISTA, VIRGINIA

Comparative Statement of Revenues, Expenses, and Changes in Net Position of Proprietary Fund
Last Ten Fiscal Years

	2004	2005	2006	2007
Operating revenues:				
Charges for services	\$ 2,296,260	\$ 2,259,650	\$ 2,427,992	\$ 2,524,577
Other	36,932	15,136	44,311	32,678
Total revenues	\$ 2,333,192	\$ 2,274,786	\$ 2,472,303	\$ 2,557,255
Operating expenses:				
Salaries	\$ 516,878	\$ 531,779	\$ 565,553	\$ 587,689
Fringe benefits	138,983	141,492	172,321	205,490
Maintenance	69,344	40,683	118,922	61,874
Utilities	285,252	288,933	322,305	330,723
Materials and supplies	190,596	184,884	209,419	291,831
Sample testing	14,687	17,721	6,652	14,670
Purchase of water	60,868	70,693	75,059	90,573
Other	27,621	22,052	5,957	14,039
Depreciation	587,447	594,385	593,660	578,595
Amortization	683	683	683	963
Total expenditures	\$ 1,892,359	\$ 1,893,305	\$ 2,070,531	\$ 2,176,447
Operating income (loss)	\$ 440,833	\$ 381,481	\$ 401,772	\$ 380,808
Nonoperating revenues (expenses):				
Interest income	\$ 6,439	\$ 9,382	\$ 13,268	\$ 65,990
Interest expense	(114,555)	(103,729)	(92,567)	(95,647)
Sale of timber	-	145,944	-	-
Environmental remediation	-	-	-	(250,000)
DEQ grant	-	-	19,200	191,148
Total nonoperating revenues (expenses)	\$ (108,116)	\$ 51,597	\$ (60,099)	\$ (88,509)
Income (loss) before transfers	\$ 332,717	\$ 433,078	\$ 341,673	\$ 292,299
Transfers in	\$ -	\$ -	\$ -	\$ -
Net changes in net position	\$ 332,717	\$ 433,078	\$ 341,673	\$ 292,299
Net position, beginning	9,989,788	10,322,505	10,755,583	11,097,256
Net position, ending	\$ 10,322,505	\$ 10,755,583	\$ 11,097,256	\$ 11,389,555

Table 5

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 2,484,361	\$ 2,448,060	\$ 2,357,531	\$ 2,436,783	\$ 2,473,022	\$ 2,490,550
<u>32,856</u>	<u>22,618</u>	<u>43,566</u>	<u>20,901</u>	<u>35,112</u>	<u>34,859</u>
\$ <u>2,517,217</u>	\$ <u>2,470,678</u>	\$ <u>2,401,097</u>	\$ <u>2,457,684</u>	\$ <u>2,508,134</u>	\$ <u>2,525,409</u>
\$ 561,172	\$ 744,497	\$ 784,417	\$ 767,291	\$ 784,016	\$ 830,583
197,047	222,494	226,524	243,451	247,986	262,470
43,469	66,981	78,773	76,241	57,994	43,594
412,723	490,447	389,940	400,263	434,211	413,835
285,238	355,142	322,200	314,191	305,291	294,745
19,764	19,509	13,889	12,111	16,581	17,242
101,972	66,504	2,244	8,110	7,553	4,007
26,463	13,748	13,434	36,468	96,733	51,397
594,271	610,840	624,286	675,160	733,329	713,319
<u>1,801</u>	<u>1,802</u>	<u>4,064</u>	<u>4,064</u>	<u>54,122</u>	<u>-</u>
\$ <u>2,243,920</u>	\$ <u>2,591,964</u>	\$ <u>2,459,771</u>	\$ <u>2,537,350</u>	\$ <u>2,737,816</u>	\$ <u>2,631,192</u>
\$ <u>273,297</u>	\$ <u>(121,286)</u>	\$ <u>(58,674)</u>	\$ <u>(79,666)</u>	\$ <u>(229,682)</u>	\$ <u>(105,783)</u>
\$ 80,106	\$ 66,672	\$ 20,950	\$ 10,911	\$ 4,480	\$ 3,388
(69,197)	(96,195)	(131,903)	(107,875)	(60,385)	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,292</u>	<u>-</u>
\$ <u>10,909</u>	\$ <u>(29,523)</u>	\$ <u>(110,953)</u>	\$ <u>(96,964)</u>	\$ <u>(28,613)</u>	\$ <u>3,388</u>
\$ <u>284,206</u>	\$ <u>(150,809)</u>	\$ <u>(169,627)</u>	\$ <u>(176,630)</u>	\$ <u>(258,295)</u>	\$ <u>(102,395)</u>
\$ <u>455,093</u>	\$ <u>706,220</u>	\$ <u>73,161</u>	\$ <u>427,100</u>	\$ <u>43,400</u>	\$ <u>551,270</u>
\$ 739,299	\$ 555,411	\$ (96,466)	\$ 250,470	\$ (214,895)	\$ 448,875
<u>11,389,555</u>	<u>12,128,854</u>	<u>12,684,265</u>	<u>12,587,799</u>	<u>12,838,169</u>	<u>12,623,374</u>
\$ <u><u>12,128,854</u></u>	\$ <u><u>12,684,265</u></u>	\$ <u><u>12,587,799</u></u>	\$ <u><u>12,838,269</u></u>	\$ <u><u>12,623,274</u></u>	\$ <u><u>13,072,249</u></u>

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Honorable Members of the Town Council
Town of Altavista, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Altavista, 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 Altavista, Virginia's basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Altavista, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Altavista, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Altavista, 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 responses, 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 deficiency described in the accompanying schedule of findings and responses to be a material weakness. Finding 2013-01

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Altavista, 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 Altavista, Virginia's Response to Findings

Town of Altavista, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Altavista, 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, Farnell, Cox Associates

Charlottesville, Virginia

October 31, 2013

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Responses
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

Section II - Financial Statement Findings

2013-01: Segregation of Duties (Material Weakness)

Criteria:

A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.

Condition:

The Town's current internal control system does not provide adequate segregation of duties over accounting functions.

Cause:

Due to the limited size of the Treasurer's Office, a proper separation of duties has not been established and maintained.

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.

Recommendation:

It is recommended that the Town establish a proper separation of duties.

Management's Response:

Management feels that duties are segregated to the extent feasible with the staffing levels in place. The Town has a small staff and this creates inherent limitations in the division of duties and the segregation that is feasible.

Section IV - Prior Year Financial Statement Findings

2013-01: Segregation of Duties (Material Weakness)

Criteria:

A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.

Condition:

The Town's current internal control system does not provide adequate segregation of duties over accounting functions.

Cause:

Due to the limited size of the Treasurer's Office, a proper separation of duties has not been established and maintained.

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.

Recommendation:

It is recommended that the Town establish a proper separation of duties.

Management's Response:

Management feels that duties are segregated to the extent feasible with the staffing levels in place. The Town has a small staff and this creates inherent limitations in the division of duties and the segregation that is feasible.