

TOWN OF HONAKER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2014

**TOWN OF HONAKER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying statement of net assets of the Town of Honaker, Virginia as of June 30, 2014, and the related statement of activities, balance sheet (governmental funds), statement of revenues, expenditures, and changes in fund balance (governmental funds), reconciliation of statement of revenues, expenditures and changes on fund balance to the statement of net assets revenues, expenses, and change in net assets and required supplementary information for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Bostic Tucker and Company, PC

Lebanon, Virginia
June 25, 2015

TOWN OF HONAKER, VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2014

EXHIBIT 1

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Cash and cash equivalents	\$ 116,882	\$ 116,882
Receivables, net	93,384	93,384
Taxes receivable, net	14,570	14,570
Due from other governments	4,295	4,295
Internal balances	-	-
Due from component units	-	-
Prepaid expenses	8,887	8,887
Capital assets, net	<u>1,551,198</u>	<u>1,551,198</u>
 Total assets and other debits	 <u>\$ 1,789,217</u>	 <u>\$ 1,789,217</u>
 Liabilities		
Accounts payable	\$ 19,335	\$ 19,335
Accrued liabilities	22,328	22,328
Accrued interest payable	-	-
Due to component units	-	-
Due to other governments	-	-
Deposits and advances	122,817	122,817
Noncurrent liabilities:		
Due within one year	93,787	93,787
Due in more than one year	<u>473,797</u>	<u>473,797</u>
 Total liabilities	 <u>732,063</u>	 <u>732,063</u>
 Net Assets		
Invested in capital assets, net of related debt	983,614	983,614
Restricted	-	-
Unrestricted (deficit)	<u>73,540</u>	<u>73,540</u>
 Total net assets	 <u>\$ 1,057,154</u>	 <u>\$ 1,057,154</u>

(See accompanying notes to financial statements)

**TOWN OF HONAKER, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary Government:						
Governmental Activities:						
General government	\$ 331,368	\$ -	\$ 33,888	\$ -	\$ (297,480)	\$ (297,480)
Judicial administration	-	-	-	-	-	-
Public safety	313,676	-	21,952	-	(291,724)	(291,724)
Public works	513,156	586,205	-	-	73,049	73,049
Health and welfare	-	-	-	-	-	-
Education	-	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Interest on long-term debt	3,446	-	-	-	(3,446)	(3,446)
Total government activities	<u>\$ 1,161,646</u>	<u>\$ 586,205</u>	<u>\$ 55,840</u>	<u>\$ -</u>	<u>\$ (519,601)</u>	<u>\$ (519,601)</u>
 Total primary government	 <u>\$ 1,161,646</u>	 <u>\$ 586,205</u>	 <u>\$ 55,840</u>	 <u>\$ -</u>	 <u>\$ (519,601)</u>	 <u>\$ (519,601)</u>
 General Revenues:						
Taxes					434,018	434,018
Fines					25,173	25,173
Recovered costs					1,010	1,010
Investment and investment earnings					17	17
License and permits					-	-
Miscellaneous					19,311	19,311
Gain (loss) on disposal of capital assets					-	-
Transfers					-	-
Total general revenues, special item and transfers					<u>479,528</u>	<u>479,528</u>
Change in net assets					(40,073)	(40,073)
Net assets - beginning					<u>1,097,227</u>	<u>1,097,227</u>
Net assets - ending					<u>\$ 1,057,154</u>	<u>\$ 1,057,154</u>

(See accompanying notes to financial statements)

**TOWN OF HONAKER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Exhibit A-1

	General	Total Governmental Funds
Assets		
Cash and cash equivalents (Note 2)	\$ 116,882	\$ 116,882
Receivables (Net of allowances for uncollectibles):		
Taxes, including penalties (Note 1)	14,570	14,570
Accounts	93,384	93,384
Prepaid expenses	8,887	8,887
Due from other funds (Note 10)	-	-
Due from other governmental units (Note 4)	4,295	4,295
	<u>238,019</u>	<u>238,019</u>
Total assets	\$ 238,019	\$ 238,019
Liabilities		
Accounts payable	\$ 19,335	\$ 19,335
Accrued liabilities	746	746
Water deposits	122,816	122,816
Due to other funds (Note 10)	-	-
Due to other governmental units	-	-
Deferred revenue (Note 13)	-	-
	<u>142,896</u>	<u>142,896</u>
Total liabilities	142,896	142,896
Fund Balances		
Fund balance (deficit):		
Undesignated	95,123	95,123
	<u>95,123</u>	<u>95,123</u>
Total fund balances	95,123	95,123
	<u>238,019</u>	<u>238,019</u>
Total liabilities and fund balances	\$ 238,019	\$ 238,019

Total fund balances per Balance Sheet for Governmental Funds \$ 95,123

Amounts reported for governmental activities in the Statement of Net assets are different because:

Other long-term assets are not available to pay current period expenditures and therefore deferred in the governmental funds and are not included in the fund balance (21,583)

Capital assets used in government activities are not financial resources and therefore not reported in the funds. The Statement of Net Assets, however, includes net assets, net of accumulated depreciation. 1,551,198

Some liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are recorded in the Statement of Net Assets. (567,584)

Net assets of governmental funds \$ 1,057,154

(See accompanying notes to financial statements)

TOWN OF HONAKER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit A-2

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
General property taxes	\$ 63,211	\$ 63,211
Other local taxes	371,058	371,058
Permits, privilege fees and regulatory licenses	-	-
Fines and forfeitures	25,173	25,173
Revenue from use of money and property	17	17
Charges for services	594,597	594,597
Miscellaneous	19,313	19,313
Recovered costs	1,010	1,010
Intergovernmental:		
Local government	-	-
State	33,888	33,888
Federal	21,952	21,952
	<u>1,130,218</u>	<u>1,130,218</u>
Total revenues		
Expenditures:		
Current:		
General government administration	328,372	328,372
Judicial administration	-	-
Public safety	266,242	266,242
Public works	437,170	437,170
Health and welfare	-	-
Education	-	-
Parks, recreation and cultural	-	-
Community development	-	-
Capital projects	37,536	37,536
Debt service:		
Principal retirement	89,066	89,066
Interest and finance charges	3,697	3,697
Capital leases	-	-
	<u>1,162,084</u>	<u>1,162,084</u>
Total expenditures		
Excess (deficiency) of revenues over expenditures	(31,865)	(31,865)
Other financing sources (uses):		
Proceeds from long-term debt	13,000	13,000
Proceeds from sale of property	-	-
Operating transfers in	-	-
Operating transfers out	-	-
Operating transfers from/to primary government	-	-
	<u>13,000</u>	<u>13,000</u>
Total other financing sources (uses)		
Net change in fund balances	(18,865)	(18,865)
Fund balance (deficit) at beginning of year as restated	<u>113,989</u>	<u>113,989</u>
Fund balance (deficit) at end of year	<u>\$ 95,123</u>	<u>\$ 95,123</u>

(See accompanying notes to financial statements)

**TOWN OF HONAKER, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT A-3

Net change in fund balances - total government funds \$ (18,865)

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds -

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Add capital acquisitions	37,536	
Subtract depreciation	<u>(84,378)</u>	
		(46,842)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in net position.

Add debt repayment	89,066	
Subtract debt proceeds	<u>(13,000)</u>	
		76,066

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 (such as compensated absences and accrued interest on long-term debt). (50,432)

Change in Net Assets of Governmental Activities	<u><u>\$ (40,073)</u></u>
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(See accompanying notes to financial statements)

TOWN OF HONAKER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit A-4

	Original and Final Budget	Actual	Positive (Negative) Variance
Revenues:			
General property taxes	\$ 59,455	\$ 63,211	\$ 3,756
Other local taxes	306,977	371,058	64,081
Permits, privilege fees and regulatory licenses	-	-	-
Fines and forfeitures	17,000	25,173	8,173
Revenue from use of money and property	5	17	12
Charges for services	575,579	594,597	19,018
Miscellaneous	1,725	19,313	17,588
Recovered costs	-	1,010	1,010
Locality contribution	-	-	-
Intergovernmental:	-	-	-
Local government	-	-	-
State	26,200	33,888	7,688
Federal	22,000	21,952	(48)
Total revenues	1,008,941	1,130,218	121,277
Expenditures:			
Current:			
General government administration	368,655	328,372	40,283
Judicial administration	-	-	-
Public safety	230,910	266,242	(35,332)
Public works	380,450	437,170	(56,720)
Health and welfare	-	-	-
Education	-	-	-
Parks, recreation and cultural	-	-	-
Community development	-	-	-
Capital projects	20,000	37,536	(17,536)
Debt service:			
Principal retirement	104,368	89,066	15,302
Interest and finance charges	-	3,697	(3,697)
Capital leases	-	-	-
Total expenditures	1,104,383	1,162,084	(57,701)
Excess (deficiency) of revenues over expenditures	(95,442)	(31,865)	63,577
Other financing sources (uses):			
Proceeds from notes payable	-	13,000	13,000
Proceeds from sale of assets/property	-	-	-
Proceeds from capital leases	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	13,000	13,000
Net change in fund balance	-	(18,865)	76,577
Fund balance (deficit) - beginning	-	113,989	113,989
Fund balance (deficit) - ending	\$ -	\$ 95,123	\$ 190,565

(See accompanying notes to financial statements)

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The Town of Honaker, Virginia (government) is a municipal corporation governed by an elected seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see below for description) to emphasize that it is legally separate from the government.

B. Government – wide and fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual 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 and fiduciary 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. 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 have been

TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

The government reports the following **major** governmental funds:

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

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town has established special revenue funds to account for the operation of the rescue and emergency service squads. This fund is called the Fire Department fund.

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

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include other charges between the government's water and sewer function and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

2. Receivables and payables

Activity between the funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. Assets, liabilities, and net assets or equity – continued

3. Inventory

Inventory in the proprietary fund is accounted for under the consumption method. Cost is recorded as an expense at the time the individual inventory items are used.

4. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien as of January 1. Real estate taxes are payable in one installment and December 5th. Personal property taxes are due and collectible annually on December 5th. The Town bills and collects its own taxes.

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data, and, in certain cases, specific account analysis.

6. Use of Estimates

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

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 for machinery and equipment, \$25,000 for land, and \$100,000 for buildings. and an estimated useful life in excess of one year. Such assets are recorded at historical cost or historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. Assets, liabilities, and net assets or equity (continued)

7. Capital assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	40
Machinery and equipment	5-10

8. Compensated absences

Vested or accumulated vacation leave is expected to be liquidated with expendable available a financial resource is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. In accordance with the provisions of Government Accounting Standard's No. 16, Accounting for Compensated Absences no liability is recorded for nonvesting accumulating rights to receive benefits. The Town accrues salary - related costs associated with the payment of compensated absences.

9. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the life on the related bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. Assets, liabilities, and net assets or equity - continued

9. Long-term obligations continued

period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund equity

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

11. Net assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

1. Prior to March 30, the Town Manager submits to the Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizens' comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – (continued)

A. Budgetary information – (continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units except for the Capital Projects Funds, which carry unexpected balances into the following year on a continuing appropriation basis.
8. All budget data presented in the accompanying financial statements are from the revised budget as of June 30.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits: All cash of the primary government and its discretely presented component units are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* (a multiple financial institution collateral pool) or covered by federal depository insurance. Under the act, banks holding public deposits in excess of amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loans institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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) and Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Town's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the Town or its safekeeping agent in the Town's name holds the securities. Category 2 includes uninsured or unregistered investments for which the broker's or dealers hold the securities.

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3. DEPOSITS AND INVESTMENTS – (continued)

trust department or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Town's name.

	<i>Category</i>			<i>Carrying</i>	<i>Value</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>Amount</i>	
Repurchase agreements	\$ -	\$ -	\$ -	\$ -	\$ -

Investments not subject to categorization:

Deposits	116,582
Petty cash and cash on hand	300
Total	<u>\$ 116,882</u>

Reconciliation of deposits and investments to Statement of Net Assets:

Deposits and investments in custody of Treasurer	\$ 300
Deposits and investments in custody of others	116,582
	<u>\$ 116,882</u>

NOTE 4. LONG-TERM DEBT

A. Changes in long-term obligations

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

<i>Governmental Activities</i>	<i>Balance Beginning</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance Ending</i>	<i>Due Within One Year</i>
Revenue Bonds	\$ 552,649	\$ -	\$ 61,908	\$ 490,741	\$ 68,368
Total Bonds	<u>552,649</u>	<u>-</u>	<u>61,908</u>	<u>490,741</u>	<u>68,368</u>
Other liabilities:					
Notes payable	91,001	13,000	27,158	76,843	25,419
Total other liabilities	<u>91,001</u>	<u>13,000</u>	<u>27,158</u>	<u>76,843</u>	<u>25,419</u>
Total long-term liabilities	<u>\$ 643,650</u>	<u>\$ 13,000</u>	<u>\$ 89,066</u>	<u>\$ 567,584</u>	<u>\$ 93,787</u>

B. General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

**TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4. LONG-TERM DEBT – (continued)

B. General obligation bonds – (continued)

Annual debt service requirements to maturity for general obligation bonds and state literary fund loans are as follows:

<i>Year Ending June 30</i>	<i>General Obligation Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 27,724	\$ -	\$ 27,724
2015	27,724	-	27,724
2016	27,724	-	27,724
2017	27,724	-	27,724
2018	27,724	-	27,724
2019-2024	138,620	-	138,620
2025-2029	138,620	-	138,620
2030-2034	39,026	-	39,026
2035-2039	14,127	-	14,127
2040-2044	14,127	-	14,127
2045-2049	7,600	-	7,600
	<u>\$ 490,740</u>	<u>\$ -</u>	<u>\$ 490,740</u>

C. Notes Payable

The Town has the following outstanding loans at year-end:

Note payable. Bank of Marion, due in monthly payments of \$924.88 through July 10, 2017, with an interest rate of 3.95%.	\$ 31,348
Line of Credit, Bank of Marion, with an interest rate of 3.50%	<u>45,497</u>
	<u>\$ 76,845</u>

Note 5. RISK MANGEMENT

The Town is a member of the Virginia Municipal League Insurance Program (VML) for all risk of loss. Each member of the risk pool jointly and severally agrees to assume, pay, and discharge any liability. The Town pays VML contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the League may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficits occurs.

TOWN OF HONAKER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

<i>Primary Government</i>	<i>Balance Beginning</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance Ending</i>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 21,968	\$ -	\$ -	\$ 21,968
Construction in progress	72,343	17,883	-	90,226
Total assets not being depreciated	<u>94,311</u>	<u>17,883</u>	<u>-</u>	<u>112,194</u>
Other capital assets:				
Buildings and improvements	2,345,520	19,653	-	2,365,173
Vehicles	1,076,231	-	-	1,076,231
Office Equipment	14,095	-	-	14,095
Equipment	198,687	-	-	198,687
Total other capital assets at	<u>3,634,533</u>	<u>19,653</u>	<u>-</u>	<u>3,654,186</u>
Less accumulated depreciation:				
Buildings and improvements	1,032,307	61,062	-	1,093,369
Vehicles	993,935	47,434	-	1,041,369
Office Equipment	5,638	1,409	-	7,047
Equipment	57,453	23,316	-	80,769
Total accumulated depreciation	<u>2,089,333</u>	<u>133,221</u>	<u>-</u>	<u>2,222,554</u>
Other capital assets, net	<u>1,545,200</u>	<u>(113,568)</u>	<u>-</u>	<u>1,431,632</u>
Governmental activities capital assets, net	<u>\$ 1,639,511</u>	<u>\$ (95,685)</u>	<u>\$ -</u>	<u>\$ 1,543,826</u>

Depreciation expense was charged to the following functions:

General government	\$ 1,409
Public safety	47,434
Public works	84,378
	<u>\$ 133,221</u>

TOWN OF HONAKER, VIRGINIA
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL AND PROPRIETARY FUNDS - PRIMARY GOVERNMENT
FOR YEAR ENDED JUNE 30, 2014

Schedule-1
Page 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Primary Government:			
General Fund:			
Revenue From Local Sources:			
General Property Taxes:			
Real and Personal Property	\$ 58,455	\$ 62,860	\$ 4,405
Penalties and Interest	1,000	351	(649)
Total General Property Taxes	59,455	63,211	3,756
Other Local Taxes:			
Meals and Lodging Tax	84,000	142,456	58,456
Business License	50,000	44,383	(5,617)
Vehicle Decals	17,000	14,858	(2,142)
Bank Stock	42,000	43,335	1,335
Sales Tax	47,000	51,167	4,167
Utility Tax	34,000	34,216	216
Cigarette Tax	30,000	37,500	7,500
Rolling Stock Tax	2,977	3,143	166
Total Other Local Taxes	306,977	371,058	64,081
Fines	17,000	25,173	8,173
Revenues From Use of Money and Property:			
Revenue From the Use of Money	5	17	12
Revenue From the Use of Property	-	-	-
Total Revenues From Use of Money and Property	5	17	12
Recovered Costs:			
Planning & Community Development	-	-	-
Insurance	-	-	-
Other	-	1,010	1,010
Total Recovered Costs	-	1,010	1,010
Charges For Services:			
Recreation	-	-	-
Water, Sewer & Garbage	575,579	594,597	19,018
Total Charges for Services	575,579	594,597	19,018
Miscellaneous Revenues	1,725	19,313	17,588
Total Revenue From Local Sources	960,741	1,074,378	113,637

TOWN OF HONAKER, VIRGINIA
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2014

Schedule-1
Page 2

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Primary Government:			
General Fund - continued			
Revenue From the Commonwealth:			
Non-Categorical Aid:			
Communications Taxes	\$ 17,000	\$ 15,492	\$ (1,508)
Litter Grant	1,200	1,397	197
Total Non Categorical Aid	<u>18,200</u>	<u>16,888</u>	<u>(1,312)</u>
Other Categorical Aid:			
Department of Criminal Justice	-	-	-
VHDA Sewer Grant	-	-	-
Department of Fire Programs	8,000	17,000	9,000
Total Other Categorical Aid	<u>8,000</u>	<u>17,000</u>	<u>9,000</u>
Total Revenue From The Commonwealth	<u>26,200</u>	<u>33,888</u>	<u>7,688</u>
Revenue From the Federal Government:			
COPS Grant	<u>22,000</u>	<u>21,952</u>	<u>(48)</u>
Total Revenue From The Federal Government	<u>22,000</u>	<u>21,952</u>	<u>(48)</u>
Grand Total Revenue-			
Primary Government Funds	<u>\$ 1,008,941</u>	<u>\$ 1,130,218</u>	<u>\$ 121,277</u>

TOWN OF HONAKER, VIRGINIA
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL AND PROPRIETARY FUNDS - PRIMARY GOVERNMENT
FOR YEAR ENDED JUNE 30, 2013

Schedule-2
Page 1

Primary Government:	Original and		Variance
General Fund:	Final		Favorable
General Government Administration:	Budget	Actual	(Unfavorable)
Mayor and Council	\$ 12,000	\$ 11,200	\$ 800
Salary and Wages	47,250	74,717	(27,467)
Bonuses	5,000	5,125	(125)
Office Expenses	10,900	11,743	(843)
Repairs and Maintenance	5,000	12,883	(7,883)
Insurance	58,586	41,743	16,843
Utilities	87,829	94,346	(6,517)
Professional fees	15,000	13,605	1,395
Telephone	-	2,942	(2,942)
Payroll Taxes	24,423	6,623	17,800
Mileage Reimbursement	200	353	(153)
Advertising	3,146	3,789	(643)
Election Costs	3,500	-	3,500
Uniforms	13,603	15,842	(2,239)
Postage	4,195	4,206	(11)
Miscellaneous	16,844	18,347	(1,503)
Licenses and Permits	3,645	4,571	(926)
Donations	10,000	6,339	3,661
	<hr/>	<hr/>	<hr/>
Total General Government Administration	321,121	328,372	(7,251)
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TOWN OF HONAKER, VIRGINIA
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL AND PROPRIETARY FUNDS - PRIMARY GOVERNMENT
FOR YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Primary Government:			
General Fund (continued):			
Public Safety:			
Police:			
Salary and Wages	\$ 100,330	\$ 124,760	\$ (24,430)
Insurance	19,634	23,791	(4,157)
Payroll Taxes	-	9,622	(9,622)
Training	3,000	2,447	553
Vehicle Expense	4,533	17,882	(13,349)
Operational Expense	15,910	22,189	(6,279)
Telephone	1,845	1,573	272
Mileage	-	-	-
Repairs and Maintenance	5,000	6,974	(1,974)
Supplies	4,660	2,408	2,252
Total Police	154,912	211,644	(56,732)
Fire and Rescue:			
Fire Department	-	17,600	(17,600)
Insurance	5,000	6,148	(1,148)
Food Taxes to Fire Dept	21,000	28,737	(7,737)
Vehicle Expenses	2,090	2,113	(23)
Total Fire and Rescue	28,090	54,598	(26,508)
Total Public Safety	183,002	266,242	(83,240)

TOWN OF HONAKER, VIRGINIA
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL AND PROPRIETARY FUNDS - PRIMARY GOVERNMENT
FOR YEAR ENDED JUNE 30, 2014

Schedule-2
Page 3

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Primary Government:			
General Fund (continued):			
Public Works:			
Salary and Wages	\$ 198,197	\$ 230,770	\$ (32,573)
Repairs	19,378	12,297	7,081
Insurance	51,062	65,025	(13,963)
Street and Sidewalks	21,000	15,669	5,331
Payroll Taxes	-	19,164	(19,164)
Telephone	3,336	2,767	569
Operational Expense	18,519	14,980	3,559
Vehicles Expenses	7,845	7,034	811
Uniforms	-	-	-
Lab Fees	16,357	12,862	3,495
Supplies	34,516	40,333	(5,817)
Engineering	10,000	15,200	(5,200)
Training	240	1,090	(850)
Total Public Works	380,450	437,170	(56,720)
Community Development:			
Community Programs	-	-	-
Total Community Development	-	-	-
Parks and Recreation:			
Salary and Wages	-	-	-
Payroll Taxes	-	-	-
Telephone	-	-	-
Repairs and Maintenance	-	-	-
Pool Expenses	-	-	-
Total Parks and Recreation	-	-	-
Capital Projects:			
Furniture and equipment	20,000	37,536	(17,536)
Land	-	-	-
Total Capital Projects	20,000	37,536	(17,536)
Debt Service:			
Principle	104,368	89,066	15,302
Interest	-	3,697	(3,697)
Total Debt Service	104,368	92,763	11,605
Total General Fund	\$ 1,008,941	\$ 1,162,084	\$ (153,143)
Total Primary Government	\$ 1,008,941	\$ 1,162,084	\$ (153,143)

**TOWN OF HONAKER, VIRGINIA
GENERAL GOVERNMENT REVENUES BY SOURCE LAST TEN FISCAL YEARS**

TABLE 1

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Revenues From Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscel- laneous</u>	<u>Recovered Costs</u>	<u>Contributions</u>	<u>Inter- governmental</u>	<u>Total</u>
2005	28,423	192,889	-	5,636	3,791	443,854	20,509	3,833	-	70,998	769,933
2006	28,011	188,451	-	6,616	2,467	486,069	14,553	2,411	-	56,798	785,376
2007	27,797	275,375	-	6,282	4,913	513,762	29,047	377	-	39,135	896,688
2008	47,790	314,821	-	3,853	3,600	513,988	11,621	1,684	-	72,683	970,040
2009	51,040	309,655	-	8,134	2,851	521,653	557	2,518	-	35,656	932,064
2010	49,558	313,768	-	12,333	2,488	626,546	12,853	186,763	-	49,120	1,253,429
2011	49,800	312,905	-	17,938	3,747	662,804	-	4,151	-	210,392	1,261,736
2012	49,986	286,325	-	15,979	3,488	557,089	63,173	6,156	-	45,548	1,027,744
2013	50,779	328,500	-	21,914	3,088	568,386	171,460	1,242	-	45,914	1,191,283
2014	63,211	371,058	-	25,173	17	594,597	19,313	1,010	-	55,840	1,130,218

TOWN OF HONAKER, VIRGINIA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS

TABLE 2

<u>Fiscal Year</u>	<u>General Government Adminis- tration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation and Cultural</u>	<u>Community Development</u>	<u>Non- Departmental</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
2005	512,450	39,328	198,663	13,794	2,880	-	-	96,934	864,049
2006	253,830	193,705	255,494	23,916	-	-	-	84,997	811,942
2007	275,631	185,102	298,649	25,339	-	-	85,758	74,015	944,494
2008	235,601	237,304	376,190	32,946	35,000	-	23,412	84,209	1,024,662
2009	326,914	269,210	396,300	33,558	-	-	10,394	88,773	1,125,149
2010	299,880	228,955	337,345	48,409	7,500	-	227,498	100,261	1,249,848
2011	307,136	235,058	429,037	34,679	6,900	-	129,654	188,672	1,331,136
2012	299,548	259,015	443,442	19,259	-	-	22,966	85,853	1,130,083
2013	302,548	218,299	437,804	-	-	-	197,694	92,657	1,249,002
2014	328,372	266,242	437,170	-	-	-	37,536	92,763	1,162,084

**TOWN OF HONAKER, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Table 3

<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Tax Collections to Tax Levy</u>
2005	27,256	26,563	97.5%	2,953	29,516	108.3%
2006	27,500	26,749	97.3%	605	27,354	99.5%
2007	26,834	26,723	99.6%	806	27,529	102.6%
2008	29,549	27,573	93.3%	15	27,588	93.4%
2009	49,182	46,409	94.4%	708	47,117	95.8%
2010	49,455	48,387	97.8%	890	49,277	99.6%
2011	49,637	47,575	95.8%	1,051	48,626	98.0%
2012	49,622	48,577	97.9%	880	49,456	99.7%
2013	50,617	49,605	98.0%	945	50,550.10	99.9%
2014	62,122	62,369	100.4%	491	62,860.37	101.2%

**TOWN OF HONAKER, VIRGINIA
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Table 4

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Real Estate</u>	<u>Public Service Corporations</u>	<u>Totals</u>
2005	0.13	19,373,577	1,591,954	20,965,531
2006	0.13	19,561,769	1,591,954	21,153,723
2007	0.13	19,515,495	1,411,918	20,927,413
2008	0.13	22,016,355	1,214,000	23,230,355
2009	0.13	36,335,128	1,214,000	37,549,128
2010	0.13	36,125,680	1,916,621	38,042,301
2011	0.13	36,596,150	1,917,500	38,513,650