



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

**BROWN,
EDWARDS &
COMPANY, L.L.P.**
Certified Public Accountants

TOWN OF ALTAVISTA, VIRGINIA

FINANCIAL REPORT

June 30, 2009

TOWN OF ALTAVISTA, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF ALTAVISTA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2009

TOWN COUNCIL

J. Rudy Burgess, Mayor
Ronald Coleman, Vice Mayor
Beverley Dalton
William Ferguson
James H. Higginbotham, II
Mike Mattox
Rayetta Webb

APPOINTED OFFICIALS

J. Waverly Coggsdale, III..... Town Manager
John Eller Town Attorney
W. Morgan Allen, Jr. Treasurer
Captain Ken Walsh..... Interim Chief of Police

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the remaining fund information of the Town of Altavista, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, the major fund, and the remaining fund information of the Town of Altavista, Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The Town has not presented a management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. Also, the required supplementary information on page 37 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information included in Exhibits A-1 through A-3 is not a required part of the basic financial statements. This 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. The tables shown in the Other Information Section are presented for purposes of additional analysis and are not a required part of the basic financial statements and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 15, 2009



BASIC FINANCIAL STATEMENTS

TOWN OF ALTAVISTA, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Altavista Industrial Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 8,204,974	\$ 3,387,608	\$ 11,592,582	\$ 177,453
Cash and cash equivalents, restricted (Note 2)	164,445	68,179	232,624	-
Receivables, net (Note 3)	165,918	268,819	434,737	-
Due from other governmental units (Note 5)	25,822	-	25,822	-
Inventory	74,438	-	74,438	-
Prepays	21,076	11,121	32,197	-
Other assets	-	16,989	16,989	-
Internal balances	544,089	(544,089)	-	-
Capital assets: (Note 6)				
Nondepreciable	406,774	73,942	480,716	-
Depreciable	3,712,665	13,319,300	17,031,965	-
Total assets	13,320,201	16,601,869	29,922,070	177,453
LIABILITIES				
Accounts payable and accrued liabilities	60,542	49,280	109,822	78,750
Accrued payroll and related liabilities	34,985	24,042	59,027	-
Accrued interest payable	6,707	4,271	10,978	-
Customer security deposits	-	15,405	15,405	-
Environmental remediation (Note 8)	-	750,000	750,000	-
Noncurrent liabilities: (Note 7)				
Due within one year	145,314	541,581	686,895	-
Due in more than one year	408,634	2,533,025	2,941,659	-
Total liabilities	656,182	3,917,604	4,573,786	78,750
NET ASSETS				
Invested in capital assets, net of related debt	3,837,710	10,444,604	14,282,314	-
Unrestricted	8,826,309	2,239,661	11,065,970	98,703
Total net assets	\$ 12,664,019	\$ 12,684,265	\$ 25,348,284	\$ 98,703

TOWN OF ALTAVISTA, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Discretely Presented Component Unit Altavista Industrial Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total	
					Governmental Activities	Business-Type Activities			
Governmental activities									
General government administration	\$ 872,840	\$ 11,529	\$ -	\$ -	\$ (861,311)	\$ -	\$ -	\$ (861,311)	\$ -
Public safety	873,488	274	173,110	-	(700,104)	-	-	(700,104)	-
Public works	1,373,306	-	538,512	132,263	(702,531)	-	-	(702,531)	-
Parks, recreation, and cultural	403,599	93,849	60,000	-	(249,750)	-	-	(249,750)	-
Interest on long-term debt	24,788	-	-	-	(24,788)	-	-	(24,788)	-
Total governmental activities	3,548,021	105,652	771,622	132,263	(2,538,484)	-	-	(2,538,484)	-
Business-type activities									
Water and sewer	2,688,159	2,448,060	-	-	-	(240,099)	-	(240,099)	-
Total business-type activities	2,688,159	2,448,060	-	-	-	(240,099)	-	(240,099)	-
Total primary government	\$ 6,236,180	\$ 2,553,712	\$ 771,622	\$ 132,263	\$ -	\$ (240,099)	\$ -	\$ (2,778,583)	\$ -
Discretely presented component unit:									
Altavista Industrial Development Authority	\$ 105,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (105,766)
General revenues:									
Property taxes					2,049,564	-	-	2,049,564	-
Meals taxes					623,689	-	-	623,689	-
Sales and use taxes					136,892	-	-	136,892	-
Bank stock taxes					142,114	-	-	142,114	-
Business license taxes					155,649	-	-	155,649	-
Other local taxes					266,733	-	-	266,733	-
Intergovernmental revenue not restricted to specific programs					122,459	-	-	122,459	-
Investment earnings					163,317	66,672	-	229,989	1,921
Other					114,427	22,618	-	137,045	-
Transfers					(706,220)	706,220	-	-	-
Payments from primary government					-	-	-	-	9,250
Total general revenues					3,068,624	795,510	-	3,864,134	11,171
Change in net assets					530,140	555,411	-	1,085,551	(94,595)
NET ASSETS AT JULY 1					12,133,879	12,128,854	-	24,262,733	193,298
NET ASSETS AT JUNE 30					\$ 12,664,019	\$ 12,684,265	\$ -	\$ 25,348,284	\$ 98,703

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

TOWN OF ALTAVISTA, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 8,072,781	\$ 132,193	\$ 8,204,974
Cash and cash equivalents, restricted	164,445	-	164,445
Receivables, net	165,918	-	165,918
Due from other governmental units	25,822	-	25,822
Due from other funds (Note 4)	799,146	-	799,146
Inventory	74,438	-	74,438
Prepays	21,076	-	21,076
	<u>\$ 9,323,626</u>	<u>\$ 132,193</u>	<u>\$ 9,455,819</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 60,432	\$ 110	\$ 60,542
Accrued payroll and related liabilities	34,985	-	34,985
Deferred revenue	39,316	-	39,316
Due to other funds (Note 4)	-	255,057	255,057
	<u>134,733</u>	<u>255,167</u>	<u>389,900</u>
Fund balances (deficits) (Note 14)			
Reserved	178,621	-	178,621
Unreserved, reported in			
General fund, designated	3,800,428	-	3,800,428
General fund, undesignated	5,209,844	-	5,209,844
Special revenue fund	-	(122,974)	(122,974)
	<u>9,188,893</u>	<u>(122,974)</u>	<u>9,065,919</u>
Total liabilities and fund balances	<u>\$ 9,323,626</u>	<u>\$ 132,193</u>	<u>\$ 9,455,819</u>

TOWN OF ALTAVISTA, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2009

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

Ending fund balance - governmental funds \$ 9,065,919

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

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.

Governmental capital assets	\$ 7,160,467	
Less: accumulated depreciation	<u>(3,041,028)</u>	
		4,119,439

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		39,316
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General obligation public improvement bond	(254,555)	
Other-long term liability	(191,619)	
Accrued interest payable	(6,707)	
Compensated absences	<u>(107,774)</u>	
		<u>(560,655)</u>

Total net assets - governmental activities \$ 12,664,019

TOWN OF ALTAVISTA, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2009**

	General	Other Governmental Fund	Total Governmental Funds
REVENUES			
General property taxes (Notes 11 and 13)	\$ 2,047,392	\$ -	\$ 2,047,392
Other local taxes	1,325,078	-	1,325,078
Permits, privilege fees, and regulatory licenses	870	-	870
Fines and forfeitures	10,933	-	10,933
Investment earnings	161,059	2,259	163,318
Charges for services	35,867	-	35,867
Intergovernmental	1,026,344	-	1,026,344
Other	172,407	-	172,407
Total revenues	<u>4,779,950</u>	<u>2,259</u>	<u>4,782,209</u>
EXPENDITURES			
Current			
General government administration	843,025	-	843,025
Public safety	812,925	-	812,925
Public works	1,310,206	-	1,310,206
Parks, recreation, and cultural	359,546	12,390	371,936
Capital outlay	368,475	-	368,475
Debt service			
Principal retirement	55,579	-	55,579
Interest and other fiscal charges	26,199	-	26,199
Total expenditures	<u>3,775,955</u>	<u>12,390</u>	<u>3,788,345</u>
Excess (deficiency) of revenues over expenditures	<u>1,003,995</u>	<u>(10,131)</u>	<u>993,864</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 4)	17,080	-	17,080
Transfers out (Note 4)	(706,220)	(17,080)	(723,300)
Total other financing sources (uses)	<u>(689,140)</u>	<u>(17,080)</u>	<u>(706,220)</u>
Net change in fund balances	314,855	(27,211)	287,644
FUND BALANCES (DEFICITS) AT JULY 1	<u>8,874,038</u>	<u>(95,763)</u>	<u>8,778,275</u>
FUND BALANCES (DEFICITS) AT JUNE 30	<u>\$ 9,188,893</u>	<u>\$ (122,974)</u>	<u>\$ 9,065,919</u>

TOWN OF ALTAVISTA, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

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

Net change in fund balances - total governmental funds \$ 287,644

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 461,992	
Depreciation expense	<u>(283,753)</u>	
		178,239

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues	2,172
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal repayments

General obligation public improvement bond	15,244	
Other long-term liability	<u>40,335</u>	
		55,579

The net effect of the change in accrued interest expense, which is not reflected in the fund statements.

1,411

Long-term compensated absences are reported in the Statement of Activities, but they do not require the use of current financial resources and, therefore are not recorded as expenditures in governmental funds.

5,095

Change in net assets of governmental activities

\$ 530,140

TOWN OF ALTAVISTA, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,982,200	\$ 2,028,700	\$ 2,047,392	\$ 18,692
Other local taxes	1,194,700	1,288,600	1,325,078	36,478
Permits, privilege fees, and regulatory licenses	1,400	900	870	(30)
Fines and forfeitures	21,000	11,300	10,933	(367)
Investment earnings	237,000	139,400	161,059	21,659
Charges for services	29,300	30,400	35,867	5,467
Intergovernmental	1,426,600	1,035,700	1,026,344	(9,356)
Other	69,400	164,000	172,407	8,407
Total revenues	<u>4,961,600</u>	<u>4,699,000</u>	<u>4,779,950</u>	<u>80,950</u>
EXPENDITURES				
Current				
General government administration	841,100	843,900	843,025	875
Public safety	857,500	816,400	812,925	3,475
Public works	1,137,400	1,309,300	1,310,206	(906)
Parks, recreation, and cultural	364,400	343,500	359,546	(16,046)
Capital outlay	1,138,600	382,000	368,475	13,525
Debt service				
Principal retirement	55,600	55,600	55,579	21
Interest and other fiscal charges	26,200	26,200	26,199	1
Total expenditures	<u>4,420,800</u>	<u>3,776,900</u>	<u>3,775,955</u>	<u>945</u>
Excess of revenues over expenditures	<u>540,800</u>	<u>922,100</u>	<u>1,003,995</u>	<u>81,895</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	193,500	181,000	17,080	(163,920)
Transfers out	(734,300)	(734,300)	(706,220)	28,080
Total other financing sources (uses)	<u>(540,800)</u>	<u>(553,300)</u>	<u>(689,140)</u>	<u>(135,840)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 368,800</u>	<u>\$ 314,855</u>	<u>\$ (53,945)</u>

TOWN OF ALTAVISTA, VIRGINIA

STATEMENT OF NET ASSETS –
PROPRIETARY FUND

June 30, 2009

	Business-Type Activities Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,387,608
Cash and cash equivalents, restricted	68,179
Accounts receivable	268,819
Prepays	11,121
Total current assets	<u>3,735,727</u>
Noncurrent assets:	
Other assets	16,989
Capital assets, net	13,393,242
Total noncurrent assets	<u>13,410,231</u>
Total assets	<u>17,145,958</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	49,280
Accrued payroll and related liabilities	24,042
Accrued interest payable	4,271
Customer security deposits	15,405
Environmental remediation	750,000
Due to other funds	544,089
Current portion of long-term debt	495,310
Current portion of compensated absences	46,271
Total current liabilities	<u>1,928,668</u>
Noncurrent liabilities:	
Long-term debt	2,521,507
Compensated absences	11,518
Total noncurrent liabilities	<u>2,533,025</u>
Total liabilities	<u>4,461,693</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,444,604
Unrestricted	2,239,661
Total net assets	<u>\$ 12,684,265</u>

TOWN OF ALTAVISTA, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS – PROPRIETARY FUND
Year Ended June 30, 2009**

	Business-Type Activities Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services (Note 13)	\$ 2,448,060
Other	22,618
Total operating revenues	2,470,678
OPERATING EXPENSES	
Salaries	744,497
Fringe benefits	222,494
Maintenance	66,981
Utilities	490,447
Materials and supplies	355,142
Sample testing	19,509
Purchase of water	66,504
Other	13,748
Depreciation	610,840
Amortization	1,802
Total operating expenses	2,591,964
Operating loss	(121,286)
NONOPERATING REVENUES (EXPENSES)	
Interest income	66,672
Interest expense	(96,195)
Net nonoperating expenses	(29,523)
Income before transfers	(150,809)
Transfers in	706,220
Change in net assets	555,411
NET ASSETS AT JULY 1	12,128,854
NET ASSETS AT JUNE 30	\$ 12,684,265

TOWN OF ALTAVISTA, VIRGINIA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
Year Ended June 30, 2009

	Business-Type Activities Enterprise Fund Water and Sewer
OPERATING ACTIVITIES	
Receipts from customers	\$ 2,507,727
Payments to suppliers	(1,091,591)
Payments to employees	(947,550)
Receipt of customer security deposits	645
Net cash provided by operating activities	<u>469,231</u>
NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from other funds	706,220
Interfund borrowing	(91,931)
Net cash provided by non-capital and related financing activities	<u>614,289</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(722,980)
Principal paid on debt	(486,633)
Interest paid on debt	(97,228)
Net cash used in capital and related financing activities	<u>(1,306,841)</u>
INVESTING ACTIVITIES	
Interest received	66,672
Net cash provided by investing activities	<u>66,672</u>
Net decrease in cash and cash equivalents	(156,649)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	3,612,436
Ending at June 30	<u>\$ 3,455,787</u>
RECONCILIATION TO EXHIBIT 8	
Cash and cash equivalents	\$ 3,387,608
Cash and cash equivalents, restricted	68,179
	<u>\$ 3,455,787</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (121,286)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	612,642
Change in certain assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	37,049
Prepaid expenses	(619)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(67,950)
Compensated absences	8,750
Customer security deposits	645
Net cash provided by operating activities	<u>\$ 469,231</u>

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 Industrial Development Authority

The Altavista Industrial Development Authority (the “IDA”) was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The IDA is governed by a Board of Directors appointed by Town Council and the Town is financially accountable for the IDA. 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 assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from its legally separated *component unit* for which the primary government is financially accountable.

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*.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 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.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following major proprietary fund:

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.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets and Budgetary Accounting

The following procedures are used 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.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

E. Encumbrances

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

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased.

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.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

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	\$	902
Personal property		8,011
	\$	8,913

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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	30-40 years
Machinery and equipment	5-10 years
Public domain infrastructure	50 years
Distribution and transmission systems	30-50 years
Water and sewer plants	30-50 years

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

K. 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, interest totaling \$11,569 was capitalized in the water and sewer fund.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

L. Deferred Revenue

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

M. 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.

N. Net Assets/Fund Equity

Net assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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

O. Estimates

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

P. 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.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 2. Deposits and Investments

Deposits

All cash of the Town is maintained in accounts covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act § 2.2-4400 *et seq.* of the *Code of Virginia*.

Investments

Investment Policy:

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; the Virginia State Non-Arbitrage Program (SNAP); 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.

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 and 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.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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 and SNAP. All investments were rated AAAM by Standard and Poor’s.

	Fair Value
Investments:	
LGIP	\$ 7,134,454
SNAP	232,624
Deposits	4,635,281
Total deposits and investments	\$ 12,002,359
 Reconciliation to Statement of Net Assets – Exhibit 1:	
Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 11,592,282
Cash and cash equivalents, restricted	232,624
Discretely presented component unit:	
Cash and cash equivalents	177,453
Total deposits and investments	\$ 12,002,359

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 and SNAP at year end, which 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, investments are held in a bank’s trust department in the Town’s name.

Restricted Amounts:

Restricted cash and cash equivalents consist of unspent bond proceeds for construction commitments described in Note 6 and other water and sewer improvements not yet under contract.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 3. Receivables

Receivables for individual major funds are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 170,289	\$ -	\$ 170,289
Accounts	4,542	268,819	273,361
	<u>174,831</u>	<u>268,819</u>	<u>443,650</u>
Less: allowance for uncollectibles	(8,913)	-	(8,913)
Net receivables	<u>\$ 165,918</u>	<u>\$ 268,819</u>	<u>\$ 434,737</u>

Note 4. Interfund Receivables and Payables/Interfund Transfers

The composition of interfund balances are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 544,089
General Fund	Nonmajor Governmental Fund	255,057
		<u>\$ 799,146</u>

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

The composition of interfund transfers are as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
Nonmajor Governmental Fund	General Fund	\$ 17,080
General Fund	Water and Sewer Fund	706,220
		<u>\$ 723,300</u>

The transfer out from the nonmajor governmental fund is to repay the general fund for expenses incurred on behalf of the nonmajor governmental fund. The transfer out from the general fund to the water and sewer fund is to move funds to be used for capital outlay for the Town's water and sewer facilities.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 5. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

Commonwealth of Virginia		\$	11,223
Personal property tax relief			14,599
Railroad rolling stock taxes			<u>14,599</u>
		\$	<u><u>25,822</u></u>

Note 6. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 232,486	\$ -	\$ -	\$ 232,486
Construction in progress	<u>128,060</u>	<u>299,254</u>	<u>253,026</u>	<u>174,288</u>
Total capital assets, not depreciated	<u>360,546</u>	<u>299,254</u>	<u>253,026</u>	<u>406,774</u>
Capital assets, depreciated				
Buildings and improvements	2,640,654	8,300	-	2,648,954
Machinery and equipment	2,889,660	133,719	48,565	2,974,814
Public domain infrastructure	<u>856,180</u>	<u>273,745</u>	<u>-</u>	<u>1,129,925</u>
Total capital assets, depreciated	<u>6,386,494</u>	<u>415,764</u>	<u>48,565</u>	<u>6,753,693</u>
Less accumulated depreciation for:				
Buildings and improvements	782,134	52,778	-	834,912
Machinery and equipment	1,862,481	184,091	48,565	1,998,007
Public domain infrastructure	<u>161,225</u>	<u>46,884</u>	<u>-</u>	<u>208,109</u>
Total accumulated, depreciation	<u>2,805,840</u>	<u>283,753</u>	<u>48,565</u>	<u>3,041,028</u>
Total capital assets, depreciated, net	<u>3,580,654</u>	<u>132,011</u>	<u>-</u>	<u>3,712,665</u>
Governmental activities capital assets, net	<u>\$ 3,941,200</u>	<u>\$ 431,265</u>	<u>\$ 253,026</u>	<u>\$ 4,119,439</u>

(Continued)

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 6. Capital Assets (Continued)

Capital asset activity for the year was as follows:

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Construction in progress	\$ 105,708	\$ 472,277	\$ 504,043	\$ 73,942
Capital assets, depreciated				
Distribution and transmission systems	10,943,612	515,611	-	11,459,224
Water and sewer plants	12,827,283	-	-	12,827,283
Machinery and equipment	1,151,052	239,135	3,051	1,387,136
Total capital assets depreciated	<u>24,921,947</u>	<u>754,746</u>	<u>3,051</u>	<u>25,673,643</u>
Less accumulated depreciation	<u>11,746,553</u>	<u>610,840</u>	<u>3,051</u>	<u>12,354,343</u>
Total capital assets, depreciated, net	<u>13,175,394</u>	<u>143,906</u>	<u>-</u>	<u>13,319,300</u>
Business-type capital assets, net	<u>\$ 13,281,102</u>	<u>\$ 616,183</u>	<u>\$ 504,043</u>	<u>\$ 13,393,242</u>

The Town had the following construction commitments as of June 30:

Project	Spent to Date	Remaining Balance
Lola Avenue, curb and stormwater improvement	<u>\$ -</u>	<u>\$ 182,385</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 30,266
Public safety	67,241
Public works	154,583
Parks, recreation, and cultural	31,663
Total depreciation expense – governmental activities	<u>\$ 283,753</u>
Business-type activities	
Water and sewer	<u>\$ 610,840</u>

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009, \$2,526,638 of the bonds outstanding are considered defeased.

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

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation public improvement bond	\$ 269,799	\$ -	\$ 15,244	\$ 254,555	\$ 15,832
Other long-term liability	231,954	-	40,335	191,619	43,158
Compensated absences	112,869	-	5,095	107,774	86,324
	<u>\$ 614,622</u>	<u>\$ -</u>	<u>\$ 60,674</u>	<u>\$ 553,948</u>	<u>\$ 145,314</u>

Business-type Activities

General obligation refunding bond	\$ 2,087,006	\$ -	\$ 406,599	\$ 1,680,407	\$ 419,226
General obligation public improvement bond	1,416,444	-	80,034	1,336,410	76,084
Compensated absences	49,039	8,750	-	57,789	46,271
	<u>\$ 3,552,489</u>	<u>\$ 8,750</u>	<u>\$ 486,633</u>	<u>\$ 3,074,606</u>	<u>\$ 541,581</u>

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

Fiscal Year	Governmental Activities				Business-type Activities			
	General Obligation Public Improvement Bond		Other Long-Term Liability		General Obligation Refunding Bond		General Obligation Public Improvement Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 15,832	\$ 9,422	\$ 43,158	\$ 13,413	\$ 419,226	\$ 45,375	\$ 76,084	\$ 49,464
2011	16,394	8,813	46,179	10,392	432,192	32,408	86,067	46,268
2012	17,026	8,181	49,412	7,160	445,560	19,040	89,386	42,949
2013	17,683	7,524	52,870	3,701	383,429	5,358	92,834	39,502
2014	18,364	6,842	-	-	-	-	96,414	35,922
2015-2019	103,008	23,025	-	-	-	-	540,794	120,883
2020-2023	66,248	3,791	-	-	-	-	354,831	19,902
	<u>\$ 254,555</u>	<u>\$ 67,598</u>	<u>\$ 191,619</u>	<u>\$ 34,666</u>	<u>\$ 1,680,407</u>	<u>\$ 102,181</u>	<u>\$ 1,336,410</u>	<u>\$ 354,890</u>

(Continued)

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
Refunding Bond:						
SunTrust	3.05%	3-03	4-13	\$ 4,000,000	\$ -	\$ 1,680,407
Public Improvement Bond:						
Carter Bank and Trust	3.79%	3-07	4-22	\$ 1,800,000	\$ 254,555	\$ 1,336,411

Other Long-Term Liability

In 2006, the Town entered into a verbal agreement to reimburse BGF Industries for improvements to the Town's stormwater management system located on BGF's property. The Town agreed to pay \$396,000 over a seven year period. The Town has imputed interest at the rate of seven percent and thereby discounted the debt to a total principal amount of \$307,303. Payments are to be made annually in the amount of \$56,571. At year end, \$191,619 was outstanding under this agreement.

Note 8. Environmental Remediation

The Department of Environmental Quality (DEQ) has designated the Town a potential responsible party for cleanup of PCB's 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 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 2010 or 2011.

Note 9. Defined Benefit Pension Plan and Deferred Compensation Plan

Plan Description

The Town of Altavista contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating local law enforcement officers), or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers), payable monthly for life in an amount equal to 1.85% of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5.00% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF ALTAVISTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

Note 9. Defined Benefit Pension Plan and Deferred Compensation Plan (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute five percent of their annual salary to the VRS. The employer may assume this five percent member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2009 was 8.16% of annual covered payroll, which includes the five percent member contribution assumed by the Town.

Annual Pension Cost

For fiscal year 2009, the Town's annual pension cost of \$163,987 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five year period. The Town's unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis within a period of 20 years or less.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of (APC) Contributed	Net Pension Obligation
June 30, 2007	\$ 236,222	100%	\$ -
June 30, 2008	\$ 236,150	100%	\$ -
June 30, 2009	\$ 163,987	100%	\$ -

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 107.83% funded. The actuarial accrued liability for benefits was \$7,568,236, and the actuarial value of assets was \$8,160,926, resulting in an unfunded actuarial accrued liability (UAAL) of \$(592,690). The covered payroll (annual payroll of active employees covered by the plan) was \$1,961,725, and ratio of the UAAL to the covered payroll was (30.21)%.

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

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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.

Water Purchases/Sales

Effective December 8, 1998, the Town agreed to purchase water from the Campbell County Utilities and Service Authority. The contract was for a period of ten years. The Town agreed to purchase a minimum of 300,000 gallons per day. The Authority charged the Town for water purchased, up to 1,000,000 gallons per day at the actual cost of production plus ten percent. This agreement ended December 31, 2008.

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	\$	0.165
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 2008-2009, total premiums paid were approximately \$48,900. 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, 2009 were approximately \$70,200.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 12. Risk Management (Continued)

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, 2009 were approximately \$374,000.

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.

Note 13. Major Customer/Taxpayer

During fiscal year 2009, approximately 70% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

Note 14. Fund Balance

Fund equity has been reserved and designated as follows:

General Fund:	
Reserved:	
Inventory	\$ 74,438
Prepays	21,076
Encumbrances	<u>83,107</u>
	<u>\$ 178,621</u>
Designated:	
Green Hill cemetery	\$ 380,542
Capital improvements	2,899,591
Community improvement projects	140,528
Police	14,800
Train station	4,751
IDA matching grant	250,000
VDOT grant match	<u>110,216</u>
	<u>\$ 3,800,428</u>

Deficit – Other Governmental Fund Balance

A deficit in fund balance of \$122,974 exists due to minimal revenue sources for the library fund. These deficits are anticipated to be recovered through transfers from the general fund.

TOWN OF ALTAVISTA, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 15. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides new fund balance classifications and clarifies governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the year ending June 30, 2011.

Management has not yet evaluated the effects, if any, of adopting these standards, but does not expect them to be material.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ALTAVISTA, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2009

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2008	\$ 8,160,926	\$ 7,568,236	\$ (592,690)	107.83%	\$ 1,961,725	(30.21%)
June 30, 2007	\$ 7,515,343	\$ 6,845,102	\$ (670,241)	109.79%	\$ 1,921,510	(34.88)%
June 30, 2006	\$ 6,708,958	\$ 6,627,826	\$ (81,132)	101.22%	\$ 1,994,516	(4.07)%

SUPPLEMENTARY INFORMATION

TOWN OF ALTAVISTA, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –
ALTAVISTA INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS – PROPRIETARY FUND
June 30, 2009**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 177,453
Total assets	<u>177,453</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	<u>78,750</u>
Total liabilities	<u>78,750</u>
NET ASSETS	
Unrestricted	<u>98,703</u>
Total net assets	<u><u>\$ 98,703</u></u>

TOWN OF ALTAVISTA, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –
ALTAVISTA INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS – PROPRIETARY FUND
Year Ended June 30, 2009**

OPERATING REVENUES

Contributions from primary government	\$ 9,250
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OPERATING EXPENSES

Other expenses	105,766
Operating loss	(96,516)

NONOPERATING REVENUES

Interest income	1,921
Nonoperating income	1,921
Change in net assets	(94,595)

NET ASSETS AT JULY 1

	193,298
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NET ASSETS AT JUNE 30

	\$ 98,703
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TOWN OF ALTAVISTA, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –
ALTAVISA INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2009**

OPERATING ACTIVITIES

Contributions from primary government	\$ 9,250
Payments for performance incentive grants	(26,250)
Payments for other expenses	(766)
	<hr/>
Net cash used in operating activities	(17,766)
	<hr/>

INVESTING ACTIVITIES

Interest received	1,921
	<hr/>
Net cash provided by investing activities	1,921
	<hr/>
Net decrease in cash and cash equivalents	(15,845)

CASH AND CASH EQUIVALENTS

Beginning at July 1	193,298
	<hr/>
Ending at June 30	\$ 177,453
	<hr/> <hr/>

**RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (96,516)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase in accounts payable and accrued liabilities	78,750
	<hr/>
Net cash used in operating activities	\$ (17,766)
	<hr/> <hr/>

OTHER INFORMATION SECTION

TABLE 1

**TOWN OF ALTAVISTA, VIRGINIA
GENERAL GOVERNMENT REVENUES BY SOURCE
Last Ten Fiscal Years (1)**

Fiscal Years Ended June 30,	General Property Taxes	Other Local Taxes	Permits, Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Investment Earnings	Inter- Governmental	Other	Totals
2009	\$ 2,047,392	\$ 1,325,078	\$ 870	\$ 10,933	\$ 161,059	\$ 1,026,344	\$ 208,274	\$ 4,779,950
2008	1,995,533	1,297,749	718	11,035	288,709	820,474	178,839	4,593,057
2007	1,979,013	1,285,877	10,488	24,882	305,232	808,547	195,269	4,609,308
2006	1,942,439	1,137,224	18,008	31,277	193,301	833,324	145,564	4,301,137
2005	1,689,246	1,108,255	17,604	16,812	126,926	774,876	185,707	3,919,426
2004	1,728,289	1,157,142	17,918	29,179	72,382	853,300	123,088	3,981,298
2003	1,750,812	1,164,317	29,361	14,965	100,867	669,905	727,548	4,457,775
2002	1,830,690	1,113,382	24,355	7,566	131,396	750,905	72,008	3,930,302
2001	1,948,181	1,111,837	20,442	8,075	247,351	702,797	51,187	4,089,870
2000	1,662,094	1,086,819	10,230	8,869	119,324	599,716	104,226	3,591,278

(1) Consists solely of general fund revenues

TABLE 2

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

Fiscal Years Ended June 30,	General Government Administration	Public Safety	Public Works	Parks, Recreation and Cultural	Community Development	Capital Outlay	Debt Service	Totals
2009	\$ 843,025	\$ 812,925	\$ 1,310,206	\$ 359,546	\$ -	\$ 368,475	\$ 81,778	\$ 3,775,955
2008	862,765	801,058	1,469,131	266,062	-	291,182	81,778	3,771,976
2007	912,491	742,332	1,199,129	265,425	-	953,788	62,873	4,136,038
2006	840,103	826,763	1,474,907	284,406	-	475,640	-	3,901,819
2005	808,124	913,427	1,192,425	270,556	-	508,258	10,018	3,702,808
2004	710,765	694,842	1,403,846	183,875	-	171,924	10,000	3,175,252
2003	694,311	652,472	1,176,922	178,330	-	1,142,596	360,000	4,204,631
2002	640,296	632,285	1,218,583	175,442	-	264,275	10,000	2,940,881
2001	632,197	675,654	1,255,553	178,953	-	283,060	10,000	3,035,417
2000	535,305	671,377	1,400,171	153,161	12,222	532,414	10,000	3,314,650

(1) Consists solely of general fund expenditures

TABLE 3

TOWN OF ALTAVISTA, VIRGINIA
COMPUTATION OF LEGAL DEBT LIMIT
June 30, 2009

Assessed value of real estate, January 1, 2008		<u>\$ 256,763,446</u>
Legal debt limit, (10% of \$256,763,446)		\$ 25,676,345
Total bonded debt	<u>\$ 3,271,373</u>	<u>3,271,373</u>
Legal debt margin		<u>\$ 22,404,972</u>



COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely present component unit, the major fund, and the remaining fund information of the Town of Altavista, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. **However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.**

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statement that is more than inconsequential will not be prevented or detected by the Town's internal control. **We consider deficiencies 07-1 and 08-1 described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting**

Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. **However, we believe the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.**

We also noted certain additional matters that we reported to management of the Town in a separate letter dated September 15, 2009.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 15, 2009

TOWN OF ALTAVISTA, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2009

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Debt Provisions

State Agency Requirements:

- Urban Highway Maintenance

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF ALTAVISTA, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2009

07-1: Segregation of Duties (Material Weakness)

Condition:

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

Management's Response: *Management currently feels that duties are segregated to the extent feasible with the staffing levels in place. We feel that the Town has a small staff and this creates inherent limitations in the division of duties and the segregation that is feasible.*

08-1: Recording of Non-Routine Year-End Transactions (Material Weakness)

Condition:

We noted one instance where a year end non-routine adjustment was not recorded. The effect of this instance was a material understatement of capital assets. This instance indicates the controls over the accuracy of the year end closing process in regards to capital assets are not adequate.

Management's Response: *The Town will make every effort to record all non-routine year-end transactions. Capital assets are recorded at the end of each year and the staff will make every effort to record all capital assets properly.*