



**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2011**



**TOWN OF ALTAVISTA, VIRGINIA**

**FINANCIAL REPORT**

**June 30, 2011**

**TOWN OF ALTAVISTA, VIRGINIA**

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# INTRODUCTORY SECTION

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**TOWN OF ALTAVISTA, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2011**

**TOWN COUNCIL**

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

**APPOINTED OFFICIALS**

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

**INDEPENDENT AUDITORS**

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

# **FINANCIAL SECTION**

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## 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, each major fund, and the remaining fund information of the Town of Altavista, Virginia, (the "Town") as of and for the year ended June 30, 2011, 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, 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. 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, each major fund, and the remaining fund information of the Town of Altavista, Virginia, as of June 30, 2011, 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 October 20, 2011 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 considered 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. Accounting principles generally accepted in the United States of America require the analysis of funding progress for a defined benefit pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's financial statements as a whole. The supplementary information included in Exhibits A-1 through A-3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part the financial statements. These exhibits and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 do not express an opinion or provide any assurance on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 20, 2011



# **BASIC FINANCIAL STATEMENTS**

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## TOWN OF ALTAVISTA, VIRGINIA

## STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 9,073,318	\$ 3,417,623	\$ 12,490,941	\$ 102,806
Cash and cash equivalents, restricted (Note 2)	2,493	186,190	188,683	-
Receivables, net (Note 3)	218,709	327,595	546,304	-
Due from other governmental units (Note 5)	84,634	-	84,634	-
Inventory	74,989	-	74,989	-
Prepays	23,236	11,033	34,269	-
Other assets	-	54,122	54,122	-
Internal balances	654,178	(654,178)	-	-
Capital assets: (Note 6)				
Nondepreciable	1,346,068	661,408	2,007,476	-
Depreciable	3,939,668	12,959,070	16,898,738	-
Total assets	15,417,293	16,962,863	32,380,156	102,806
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	94,245	59,507	153,752	154,125
Accrued payroll and related liabilities	50,551	26,606	77,157	-
Accrued interest payable	3,580	12,383	15,963	-
Customer security deposits	-	19,355	19,355	-
Environmental remediation (Note 8)	-	750,000	750,000	-
Noncurrent liabilities: (Note 7)				
Due within one year	172,812	615,976	788,788	-
Due in more than one year	300,397	2,640,767	2,941,164	-
Total liabilities	621,585	4,124,594	4,746,179	154,125
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,954,981	10,600,823	15,555,804	-
Restricted	276,363	-	276,363	-
Unrestricted	9,564,364	2,237,446	11,801,810	(51,319)
Total net assets	\$ 14,795,708	\$ 12,838,269	\$ 27,633,977	\$ (51,319)

**TOWN OF ALTAVISTA, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Unit Altavista Economic 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	\$ 832,304	\$ 15,923	\$ -	\$ -	\$ (816,381)	\$ -	\$ (816,381)	\$ -
Public safety	1,043,291	179	114,355	-	(928,757)	-	(928,757)	-
Public works	1,346,311	1,605	556,006	539,885	(248,815)	-	(248,815)	-
Parks, recreation, and cultural	1,032,727	73,081	686,512	-	(273,134)	-	(273,134)	-
Interest on long-term debt	17,885	-	-	-	(17,885)	-	(17,885)	-
Total governmental activities	4,272,518	90,788	1,356,873	539,885	(2,284,972)	-	(2,284,972)	-
Business-type activities								
Water and sewer	2,645,225	2,436,783	-	-	-	(208,442)	(208,442)	-
Total business-type activities	2,645,225	2,436,783	-	-	-	(208,442)	(208,442)	-
Total primary government	\$ 6,917,743	\$ 2,527,571	\$ 1,356,873	\$ 539,885	(2,284,972)	(208,442)	(2,493,414)	-
Discretely presented component unit:								
Altavista Economic Development Authority	\$ 187,273	\$ -	\$ -	\$ -	-	-	-	(187,273)
General revenues:								
Property taxes					2,209,392	-	2,209,392	-
Meals taxes					627,054	-	627,054	-
Sales and use taxes					123,019	-	123,019	-
Bank stock taxes					169,955	-	169,955	-
Business license taxes					148,995	-	148,995	-
Other local taxes					277,173	-	277,173	-
Intergovernmental revenue not restricted to specific programs					121,748	-	121,748	-
Investment earnings					39,371	10,911	50,282	219
Other					68,740	20,901	89,641	100
Transfers (Note 4)					(427,100)	427,100	-	-
Payments from primary government					-	-	-	26,250
Total general revenues and transfers					3,358,347	458,912	3,817,259	26,569
Change in net assets					1,073,375	250,470	1,323,845	(160,704)
<b>NET ASSETS AT JULY 1</b>					13,722,333	12,587,799	26,310,132	109,385
<b>NET ASSETS AT JUNE 30</b>					\$ 14,795,708	\$ 12,838,269	\$ 27,633,977	\$ (51,319)

## TOWN OF ALTAVISTA, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS –**  
**June 30, 2011**

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,972,431	\$ 100,887	\$ 9,073,318
Cash and cash equivalents, restricted	2,493	-	2,493
Receivables, net	218,709	-	218,709
Due from other governmental units	84,634	-	84,634
Due from other funds (Note 4)	1,113,254	-	1,113,254
Inventory	74,989	-	74,989
Prepays	23,236	-	23,236
	<u>\$ 10,489,746</u>	<u>\$ 100,887</u>	<u>\$ 10,590,633</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued liabilities	\$ 94,245	\$ -	\$ 94,245
Accrued payroll and related liabilities	50,551	-	50,551
Deferred revenue	57,959	-	57,959
Due to other funds (Note 4)	-	459,076	459,076
	<u>202,755</u>	<u>459,076</u>	<u>661,831</u>
Fund balances (deficits) (Note 14)			
Nonspendable	98,225	-	98,225
Restricted	597,886	-	597,886
Committed	3,594,215	-	3,594,215
Assigned	146,018	-	146,018
Unassigned	5,850,647	(358,189)	5,492,458
	<u>10,286,991</u>	<u>(358,189)</u>	<u>9,928,802</u>
Total liabilities and fund balances	<u>\$ 10,489,746</u>	<u>\$ 100,887</u>	<u>\$ 10,590,633</u>

## TOWN OF ALTAVISTA, VIRGINIA

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

June 30, 2011

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

**Ending fund balance – governmental funds** \$ 9,928,802

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	\$ 8,751,951	
Less: accumulated depreciation	<u>(3,466,215)</u>	
		5,285,736

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

57,959

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	(230,966)	
Other long-term liability	(102,282)	
Accrued interest payable	(3,580)	
Compensated absences	<u>(139,961)</u>	
		<u>(476,789)</u>

**Total net assets – governmental activities** \$ 14,795,708



## TOWN OF ALTAVISTA, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
General property taxes (Notes 11 and 13)	\$ 2,198,629	\$ -	\$ 2,198,629
Other local taxes	1,346,196	-	1,346,196
Permits, privilege fees, and regulatory licenses	1,160	-	1,160
Fines and forfeitures	14,942	-	14,942
Investment earnings	39,142	229	39,371
Charges for services	24,193	-	24,193
Intergovernmental	2,016,179	-	2,016,179
Other	119,234	-	119,234
Total revenues	<u>5,759,675</u>	<u>229</u>	<u>5,759,904</u>
<b>EXPENDITURES</b>			
Current			
General government administration	798,637	-	798,637
Public safety	965,170	-	965,170
Public works	1,092,989	-	1,092,989
Parks, recreation, and cultural	287,332	21,366	308,698
Capital outlay	1,654,469	152,383	1,806,852
Debt service			
Principal retirement	63,269	-	63,269
Interest and other fiscal charges	19,501	-	19,501
Total expenditures	<u>4,881,367</u>	<u>173,749</u>	<u>5,055,116</u>
Excess (deficiency) of revenues over expenditures	<u>878,308</u>	<u>(173,520)</u>	<u>704,788</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (Note 4)	16,045	-	16,045
Transfers out (Note 4)	(427,100)	(16,045)	(443,145)
Total other financing sources (uses)	<u>(411,055)</u>	<u>(16,045)</u>	<u>(427,100)</u>
Net change in fund balances	467,253	(189,565)	277,688
<b>FUND BALANCES (DEFICITS) AT JULY 1</b>	<u>9,819,738</u>	<u>(168,624)</u>	<u>9,651,114</u>
<b>FUND BALANCES (DEFICITS) AT JUNE 30</b>	<u>\$ 10,286,991</u>	<u>\$ (358,189)</u>	<u>\$ 9,928,802</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, 2011**

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

**Net change in fund balances – total governmental funds** \$ 277,688

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	\$1,025,235	
Depreciation expense	(301,490)	
		723,745

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

Deferred revenues		13,089
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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.

Issuance of debt

General obligation public improvement bond, transferred from the Water & Sewer fund

Principal repayments

General obligation public improvement bond	17,090	
Other long-term liability	46,179	
		63,269

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

1,616

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.

(6,032)

**Change in net assets of governmental activities**

\$ 1,073,375

## TOWN OF ALTAVISTA, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General property taxes	\$ 2,035,300	\$ 2,036,400	\$ 2,198,629	\$ 162,229
Other local taxes	1,200,200	1,292,100	1,346,196	54,096
Permits, privilege fees, and regulatory licenses	500	1,100	1,160	60
Fines and forfeitures	7,500	13,200	14,942	1,742
Investment earnings	62,600	39,100	39,142	42
Charges for services	36,300	24,200	24,193	(7)
Intergovernmental	1,559,000	1,981,638	2,016,179	34,541
Other	96,100	108,400	119,234	10,834
Total revenues	<u>4,997,500</u>	<u>5,496,138</u>	<u>5,759,675</u>	<u>263,537</u>
<b>EXPENDITURES</b>				
Current				
General government administration	890,400	821,875	798,637	23,238
Public safety	979,100	980,450	965,170	15,280
Public works	1,227,700	1,137,150	1,092,989	44,161
Parks, recreation, and cultural	337,500	285,990	287,332	(1,342)
Capital outlay	1,245,700	1,638,438	1,654,469	(16,031)
Debt service				
Principal retirement	62,600	62,600	63,269	(669)
Interest and other fiscal charges	19,200	19,200	19,501	(301)
Total expenditures	<u>4,762,200</u>	<u>4,945,703</u>	<u>4,881,367</u>	<u>64,336</u>
Excess of revenues over expenditures	<u>235,300</u>	<u>550,435</u>	<u>878,308</u>	<u>327,873</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	362,900	368,000	16,045	(351,955)
Transfers out	(598,200)	(596,650)	(427,100)	169,550
Total other financing sources (uses)	<u>(235,300)</u>	<u>(228,650)</u>	<u>(411,055)</u>	<u>(182,405)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 321,785</u>	<u>\$ 467,253</u>	<u>\$ 145,468</u>

## TOWN OF ALTAVISTA, VIRGINIA

STATEMENT OF NET ASSETS –  
PROPRIETARY FUND

June 30, 2011

	<b>Business-Type Activities Enterprise Fund Water and Sewer</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,417,623
Cash and cash equivalents, restricted	186,190
Accounts receivable	327,595
Prepays	11,033
Total current assets	<u>3,942,441</u>
Noncurrent assets:	
Other assets	54,122
Capital assets, net	13,620,478
Total noncurrent assets	<u>13,674,600</u>
Total assets	<u>17,617,041</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	59,507
Accrued payroll and related liabilities	26,606
Accrued interest payable	12,383
Customer security deposits	19,355
Environmental remediation	750,000
Due to other funds	654,178
Current portion of long-term debt	577,612
Current portion of compensated absences	38,364
Total current liabilities	<u>2,138,005</u>
Noncurrent liabilities:	
Long-term debt	2,628,233
Compensated absences	12,534
Total noncurrent liabilities	<u>2,640,767</u>
Total liabilities	<u>4,778,772</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	10,600,823
Unrestricted	2,237,446
Total net assets	<u>\$ 12,838,269</u>

## TOWN OF ALTAVISTA, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS – PROPRIETARY FUND  
Year Ended June 30, 2011**

	<b>Business-Type Activities Enterprise Fund Water and Sewer</b>
<b>OPERATING REVENUES</b>	
Charges for services (Note 13)	\$ 2,436,783
Other	20,901
Total operating revenues	2,457,684
<b>OPERATING EXPENSES</b>	
Salaries	767,291
Fringe benefits	243,451
Maintenance	76,241
Utilities	400,263
Materials and supplies	314,191
Sample testing	12,111
Purchase of water	8,110
Other	36,468
Depreciation	675,160
Amortization	4,064
Total operating expenses	2,537,350
Operating loss	(79,666)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	10,911
Interest expense	(107,875)
Net nonoperating expenses	(96,964)
Loss before transfers	(176,630)
Transfers in	427,100
Change in net assets	250,470
<b>NET ASSETS AT JULY 1</b>	12,587,799
<b>NET ASSETS AT JUNE 30</b>	\$ 12,838,269

## TOWN OF ALTAVISTA, VIRGINIA

STATEMENT OF CASH FLOWS –  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<b>Business-Type Activities Enterprise Fund Water and Sewer</b>
<b>OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,419,622
Payments to suppliers	(874,497)
Payments to employees	(1,010,580)
Receipt of customer security deposits	3,182
Net cash provided by operating activities	<u>537,727</u>
<b>NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfers from other funds	427,100
Interfund borrowing	(91,738)
Net cash provided by non-capital and related financing activities	<u>335,362</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(446,363)
Principal paid on debt	(558,814)
Interest paid on debt	(109,319)
Net cash used in capital and related financing activities	<u>(1,114,496)</u>
<b>INVESTING ACTIVITIES</b>	
Interest received	10,911
Net cash provided by investing activities	<u>10,911</u>
Net decrease in cash and cash equivalents	(230,496)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning at July 1	3,834,309
Ending at June 30	<u>\$ 3,603,813</u>
<b>RECONCILIATION TO EXHIBIT 8</b>	
Cash and cash equivalents	\$ 3,417,623
Cash and cash equivalents, restricted	<u>186,190</u>
	<u>\$ 3,603,813</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (79,666)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	679,224
Change in certain assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(38,062)
Prepaid expenses	362
Increase (decrease) in:	
Accounts payable and accrued liabilities	(25,165)
Compensated absences	(2,148)
Customer security deposits	3,182
Net cash provided by operating activities	<u>\$ 537,727</u>

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. The Financial Reporting Entity**

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

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

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

**Altavista Economic Development Authority**

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

The Town has no related or jointly governed organizations.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net 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, 2011**

**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, 2011**

**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, 2011**

**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.

At June 30, total expenditures related to parks, recreation, cultural, capital outlay and debt service exceeded budgeted amounts by \$18,843.

**E. 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.

**F. 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.

**G. 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.

**H. 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	\$	877
Personal property		16,278
		\$ 17,155

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. 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.

**J. Capitalization of Interest**

The Town follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. For the current year, interest totaling \$32,535 was capitalized in the water and sewer fund.

**K. 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 of delinquent property taxes not collected within 45 days of year end.

**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.

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**L. Net Assets/Fund Balance**

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.

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

The classifications are as follows:

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

Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

**M. Restricted Resources**

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

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**N. Minimum Fund Balance Policy**

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

**O. 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 appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2011.

**P. 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.

**Q. 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.

**Note 2. Deposits and Investments**

**Deposits**

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

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 2. Deposits and Investments (Continued)**

**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 & Poor’s. Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s. Repurchase agreements require that the counterparty be rated “A” or better by Moody’s and Standard & Poor’s.

Concentration of Credit Risk:

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

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

Concentration of Credit Risk: (Continued)

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

	<b>Fair Value</b>
<b>Investments:</b>	
LGIP	\$ 7,170,763
<b>Deposits</b>	5,611,367
<b>Total deposits and investments</b>	<b>\$ 12,782,130</b>
 <b>Reconciliation to Statement of Net Assets – Exhibit 1:</b>	
Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 12,490,641
Cash and cash equivalents, restricted	188,683
Discretely presented component unit:	
Cash and cash equivalents	102,806
<b>Total deposits and investments</b>	<b>\$ 12,782,130</b>

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, the Town has no investments subject to custodial credit risk.

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, 2011**

**Note 3. Receivables**

Receivables for individual major funds are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 181,453	\$ -	\$ 181,453
Accounts	54,411	327,595	382,006
	<hr/>	<hr/>	<hr/>
Gross receivables	235,864	327,595	563,459
Less: allowance for uncollectibles	(17,155)	-	(17,155)
	<hr/>	<hr/>	<hr/>
Net receivables	<u>\$ 218,709</u>	<u>\$ 327,595</u>	<u>\$ 546,304</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	\$ 654,178
General Fund	Nonmajor Governmental Fund	459,076
		<hr/>
		<u>\$ 1,113,254</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	\$ 16,045
General Fund	Water and Sewer Fund	427,100
		<hr/>
		<u>\$ 443,145</u>

The transfer out from the nonmajor governmental fund is to repay the general fund for expenditures 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, 2011**

**Note 5. Due from Other Governmental Units**

Amounts due from other governmental units are as follows:

Federal Government		
Community Development Block Grant	\$	50,783
Commonwealth of Virginia		
Personal property tax relief		17,675
Railroad rolling stock taxes		16,176
	<u>\$</u>	<u>84,634</u>

**Note 6. Capital Assets**

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 257,486	\$ -	\$ -	\$ 257,486
Construction in progress	435,951	652,631	-	1,088,582
Total capital assets, not depreciated	<u>693,437</u>	<u>652,631</u>	<u>-</u>	<u>1,346,068</u>
Capital assets, depreciated				
Buildings and improvements	2,693,154	242,827	-	2,935,981
Machinery and equipment	3,093,832	129,777	134,446	3,089,163
Public domain infrastructure	1,380,739	-	-	1,380,739
Total capital assets, depreciated	<u>7,167,725</u>	<u>372,604</u>	<u>134,446</u>	<u>7,405,883</u>
Less accumulated depreciation for:				
Buildings and improvements	893,270	70,952	-	964,222
Machinery and equipment	2,144,637	177,383	134,446	2,187,574
Public domain infrastructure	261,264	53,155	-	314,419
Total accumulated, depreciation	<u>3,299,171</u>	<u>301,490</u>	<u>134,446</u>	<u>3,466,215</u>
Total capital assets, depreciated, net	<u>3,868,554</u>	<u>71,114</u>	<u>-</u>	<u>3,939,668</u>
Governmental activities capital assets, net	<u>\$ 4,561,991</u>	<u>\$ 723,745</u>	<u>\$ -</u>	<u>\$ 5,285,736</u>

(Continued)

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 6. Capital Assets (Continued)**

Capital asset activity for the year was as follows:

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated				
Construction in progress	\$ 850,283	\$ 306,979	\$ 495,854	\$ 661,408
Capital assets, depreciated				
Distribution and transmission				
Systems	11,459,224	165,496	-	11,624,720
Water and sewer plants	12,827,283	263,037	-	13,090,320
Machinery and equipment	1,691,114	206,705	-	1,897,819
Total capital assets depreciated	<u>25,977,621</u>	<u>635,238</u>	<u>-</u>	<u>26,612,859</u>
Less accumulated depreciation	<u>12,978,629</u>	<u>675,160</u>	<u>-</u>	<u>13,653,789</u>
Total capital assets, depreciated, net	<u>12,998,992</u>	<u>(39,922)</u>	<u>-</u>	<u>12,959,070</u>
Business-type capital assets, net	<u>\$ 13,849,275</u>	<u>\$ 267,057</u>	<u>\$ 495,854</u>	<u>\$ 13,620,478</u>

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

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Balance</b>
Streetscape and Downtown Utility Replacement	<u>\$ 163,459</u>	<u>\$ 722,155</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 30,266
Public safety	65,256
Public works	156,131
Parks, recreation, and cultural	49,837
Total depreciation expense – governmental activities	<u>\$ 301,490</u>
Business-type activities	
Water and sewer	<u>\$ 675,160</u>

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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, 2011, \$1,815,948 of bonds outstanding are considered defeased.

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
General obligation public improvement bond	\$ 248,056	\$ -	\$ 17,090	\$ 230,966	\$ 17,749
Other long-term liability	148,461	-	46,179	102,282	49,412
Compensated absences	133,929	6,032	-	139,961	105,651
	<u>\$ 530,446</u>	<u>\$ 6,032</u>	<u>\$ 63,269</u>	<u>\$ 473,209</u>	<u>\$ 172,812</u>

**Business-Type Activities**

General obligation refunding bond	\$ 1,261,231	\$ -	\$ 432,140	\$ 829,091	\$ 445,560
General obligation public improvement bonds	2,503,428	-	126,674	2,376,754	132,052
Compensated absences	53,046	-	2,148	50,898	38,364
	<u>\$ 3,817,705</u>	<u>\$ -</u>	<u>\$ 560,962</u>	<u>\$ 3,256,743</u>	<u>\$ 615,976</u>

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>			
	<b>General Obligation Public Improvement Bond</b>		<b>Other Long-Term Liability</b>		<b>General Obligation Refunding Bond</b>		<b>General Obligation Public Improvement Bond</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 17,749	\$ 8,497	\$ 49,412	\$ 7,160	\$ 445,560	\$ 19,040	\$ 132,052	\$ 104,288
2013	18,385	7,814	52,870	3,701	383,531	5,358	137,381	98,687
2014	19,094	7,105	-	-	-	-	143,223	92,875
2015	19,830	6,369	-	-	-	-	149,319	86,749
2016	20,595	5,604	-	-	-	-	155,679	80,389
2017-2021	115,521	15,475	-	-	-	-	883,872	296,468
2022-2026	19,792	364	-	-	-	-	490,628	135,143
2027-2029	-	-	-	-	-	-	284,600	29,304
	<u>\$ 230,966</u>	<u>\$ 51,228</u>	<u>\$ 102,282</u>	<u>\$ 10,861</u>	<u>\$ 829,091</u>	<u>\$ 24,398</u>	<u>\$ 2,376,754</u>	<u>\$ 923,903</u>

(Continued)

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 7. Long-Term Liabilities (Continued)**

Details of long-term indebtedness are as follows:

	<b>Interest Rates</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Refunding Bond: SunTrust	3.05%	3-03	4-13	\$ 4,000,000	\$ -	\$ 829,091
Public Improvement Bond: Carter Bank and Trust	3.79%	3-07	4-22	\$ 1,800,000	\$ 230,966	\$ 1,158,280
Branch Bank and Trust	5.06%	9-09	5-29	\$ 1,300,000	\$ -	\$ 1,218,474

**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, \$102,282 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 PCBs on certain Town owned property. There are several courses of action that the Town is considering to remedy the situation, with estimated costs ranging from \$750,000 to \$4,000,000. Management has submitted plans for the \$750,000 option to the DEQ. The estimated liability is based on the DEQ accepting this remedy proposed by the Town. If the DEQ does not accept the remedy, the actual costs may be more or less depending on their decision. The Town anticipates completing the project during fiscal year 2012 or 2013.

**Note 9. Defined Benefit Pension 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 (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 9. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/PDF/Publications/2010-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 9. Defined Benefit Pension Plan(Continued)**

**Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. The Town has assumed this cost for all eligible Town employees. 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 2011 was 5.75% of annual covered payroll, excluding the employee contribution assumed by the Town.

**Annual Pension Cost**

For fiscal year 2011, the Town's annual pension cost of \$225,560 was equal to the Town's required and actual contributions.

<b>Three-Year Trend Information</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of (APC) Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2009	\$ 163,987	100%	\$ -
June 30, 2010	\$ 165,468	100%	\$ -
June 30, 2011	\$ 225,560	100%	\$ -

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumption at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% and 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. The method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the plan was 93.25% funded. The actuarial accrued liability for benefits was \$8,265,071, and the actuarial value of assets was \$7,707,286, resulting in an unfunded actuarial accrued liability (UAAL) of \$557,785. The covered payroll (annual payroll of active employees covered by the plan) was \$2,048,370, and ratio of the UAAL to the covered payroll was 27.23%.

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**Funded Status and Funding Progress (Continued)**

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

**Note 10. Service Contracts**

**Sewage Contract**

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

**Note 11. Property Taxes**

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

Property taxes are levied annually on assessed values as of January 1 and are due by December 5 each year. Personal property taxes do not create a lien on property.

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of ten percent of the unpaid tax is due for late payment. Interest is accrued at ten percent for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$	0.165
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 2010-2011, total premiums paid were approximately \$46,300. 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.

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 12. Risk Management (Continued)**

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, 2011 were approximately \$59,900.

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, 2011 were approximately \$412,000.

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 Customers/Taxpayers**

During fiscal year 2011, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

**Note 14. Fund Balance/Net Assets**

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

	<b>General</b>	<b>Other Governmental</b>
Nonspendable:		
Inventory	\$ 74,989	\$ -
Prepays	23,236	-
	98,225	-
Restricted for:		
Public safety	12,523	-
Public works	585,363	-
	\$ 597,886	\$ -



**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 14. Fund Balance/Net Assets (Continued)**

	<b>General</b>	<b>Other Governmental</b>
	\$ 696,111	\$ -
Committed to:		
Public works	611,277	-
Community development	250,000	-
Other capital projects	2,732,938	-
	3,594,215	-
Assigned to:		
Community development	146,018	-
Unassigned:	5,850,647	(358,189)
Total fund balance	\$ 10,286,991	\$ (358,189)

**Restricted Net Assets**

Balance consists of funds received from the Commonwealth of Virginia to be used for Highway maintenance related projects.

**Deficit – Other Governmental Fund Balance**

A deficit in fund balance of \$358,189 exists due to minimal revenue sources for the library fund. These deficits are anticipated to be recovered through transfers from the general fund.

**Deficit – EDA Net Assets**

A deficit in net assets of \$51,319 exists due to minimal revenue sources for agreements in place for the payment of incentives. These deficits are anticipated to be covered through contributions from the Town's general fund.

**Note 15. New Accounting Standards**

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

GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements* was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

**TOWN OF ALTAVISTA, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 15. New Accounting Standards (Continued)**

GASB Statement No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the “substantively the same governing body” criterion, it additionally requires that a financial benefit or financial burden relationship exist or management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

Management has not yet evaluated the effects, if any, of adopting these standards.



# **REQUIRED SUPPLEMENTARY INFORMATION**

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## TOWN OF ALTAVISTA, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN**  
**June 30, 2011**

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b-a) Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>((b-a)/c) UAAL as of Percentage of Covered Payroll</b>
June 30, 2010	\$ 7,707,286	\$ 8,265,071	\$ 557,785	93.25%	\$ 2,048,370	27.23%
June 30, 2009	\$ 7,862,679	\$ 7,590,016	\$ (272,663)	103.59%	\$ 1,938,311	(14.07)%
June 30, 2008	\$ 8,160,926	\$ 7,568,236	\$ (592,690)	107.83%	\$ 1,961,725	(30.21)%

# **SUPPLEMENTARY INFORMATION**

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**TOWN OF ALTAVISTA, VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT –  
ALTAVISTA ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS – PROPRIETARY FUND  
June 30, 2011**

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 102,806
Total assets	<u>102,806</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	<u>154,125</u>
Total liabilities	<u>154,125</u>
<b>NET ASSETS</b>	
Unrestricted	<u>(51,319)</u>
Total net assets	<u><u>\$ (51,319)</u></u>

## TOWN OF ALTAVISTA, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –  
ALTAVISTA ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS – PROPRIETARY FUND  
Year Ended June 30, 2011**

**OPERATING EXPENSES**

Other expenses	\$ 187,273
Operating loss	(187,273)

**NONOPERATING REVENUES**

Contributions from primary government	26,250
Other income	100
Interest income	219
Nonoperating income	26,569

Change in net assets	(160,704)
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<b>NET ASSETS AT JULY 1</b>	109,385
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<b>NET ASSETS AT JUNE 30</b>	\$ (51,319)
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## TOWN OF ALTAVISTA, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –  
ALTAVISTA ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
Year Ended June 30, 2011**

**OPERATING ACTIVITIES**

Payments for performance incentive grants	\$ (68,875)
Payments for other expenses	(16,773)
	<hr/>
Net cash used in operating activities	(85,648)
	<hr/>

**NONCAPITAL FINANCING ACTIVITIES**

Contribution from primary government	26,250
	<hr/>
Net cash provided by noncapital financing activities	26,250
	<hr/>

**INVESTING ACTIVITIES**

Other income	100
Interest received	219
	<hr/>
Net cash provided by investing activities	319
	<hr/>
Net decrease in cash and cash equivalents	(59,079)

**CASH AND CASH EQUIVALENTS**

Beginning at July 1	161,885
	<hr/>
Ending at June 30	\$ 102,806
	<hr/> <hr/>

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

Operating loss	\$ (187,273)
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in accounts payable and accrued liabilities	101,625
	<hr/>
Net cash used in operating activities	\$ (85,648)
	<hr/> <hr/>

## **OTHER INFORMATION SECTION**

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**TABLE 1**

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

<b>Fiscal Years Ended June 30,</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Permits, Privilege Fees and Regulatory Licenses</b>	<b>Fines and Forfeitures</b>	<b>Investment Earnings</b>	<b>Inter-Governmental</b>	<b>Other</b>	<b>Totals</b>
2011	\$ 2,198,629	\$ 1,346,196	\$ 1,160	\$ 14,942	\$ 39,371	\$ 2,016,179	\$ 143,427	\$ 5,759,904
2010	2,162,977	1,319,767	660	9,747	78,263	1,258,475	151,693	4,981,582
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

(1) Consists solely of general fund revenues

**TABLE 2**

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

<b>Fiscal Years Ended June 30,</b>	<b>General Government Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Parks, Recreation, and Cultural</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Totals</b>
2011	\$ 798,637	\$ 965,170	\$ 1,092,989	\$ 287,332	\$ 1,654,469	\$ 82,770	\$ 4,881,367
2010	873,090	809,229	1,100,745	407,280	1,000,165	82,771	4,273,280
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

(1) Consists solely of general fund expenditures

**TABLE 3**

**TOWN OF ALTAVISTA, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT LIMIT**  
**June 30, 2011**

Assessed value of real estate, January 1, 2009		<u>\$ 256,672,175</u>
Legal debt limit, (10% of \$256,672,175)		\$ 25,667,218
Total bonded debt	<u>\$ 3,436,811</u>	<u>3,436,811</u>
Legal debt margin		<u>\$ 22,230,407</u>

**TOWN OF ALTAVISTA, VIRGINIA**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues:</b>										
General property taxes (Notes 11 and 13)	\$ 1,830,690	\$ 1,750,812	\$ 1,728,289	\$ 1,689,246	\$ 1,942,439	\$ 1,979,013	\$ 1,995,533	\$ 2,047,392	\$ 2,162,977	\$ 2,198,629
Other local taxes	1,113,382	1,164,317	1,157,142	1,108,255	1,137,224	1,285,877	1,297,749	1,325,078	1,319,767	1,346,196
Permits, privilege fees, and regulatory licenses	24,355	29,361	17,918	17,604	18,008	10,488	718	870	660	1,160
Fines and forfeitures	7,566	14,965	29,179	16,812	31,277	24,882	11,035	10,933	9,747	14,942
Investment earnings	146,955	107,091	77,349	129,512	196,789	311,025	293,145	163,318	78,619	39,371
Charges for services	8,840	7,550	35,688	39,586	41,301	22,705	31,516	35,867	38,614	24,193
Intergovernmental	750,905	669,905	853,300	774,876	833,324	808,547	820,474	1,026,344	1,258,475	2,016,179
Other	63,168	178,749	164,108	146,121	104,263	172,564	147,325	172,407	113,079	119,234
Total revenues	<u>3,945,861</u>	<u>3,922,750</u>	<u>4,062,973</u>	<u>3,922,012</u>	<u>4,304,625</u>	<u>4,615,101</u>	<u>4,597,495</u>	<u>4,782,209</u>	<u>4,981,938</u>	<u>5,759,904</u>
<b>Expenditures:</b>										
Current										
General government administration	640,296	694,311	710,765	808,124	840,103	912,491	862,765	843,025	873,090	798,637
Public safety	632,285	652,472	694,842	913,427	826,763	742,332	801,058	812,925	809,229	965,170
Public works	1,218,583	1,176,922	1,403,846	1,192,425	1,474,907	1,199,129	1,469,131	1,310,206	1,100,745	1,092,989
Parks, recreation, and cultural	191,251	198,075	201,351	290,742	306,242	289,113	279,008	371,936	420,437	308,698
Capital outlay	264,275	1,142,596	432,074	600,122	478,476	953,788	291,182	368,475	1,047,267	1,806,852
Debt service:										
Principal retirement	7,356	357,943	8,561	9,277	-	41,176	52,374	55,579	59,614	63,269
Interest and other fiscal charges	2,644	2,057	1,439	741	-	21,697	29,404	26,199	23,157	19,501
Total expenditures	<u>2,956,690</u>	<u>4,224,376</u>	<u>3,452,878</u>	<u>3,814,858</u>	<u>3,926,491</u>	<u>4,159,726</u>	<u>3,784,922</u>	<u>3,788,345</u>	<u>4,333,539</u>	<u>5,055,116</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>989,171</u>	<u>(301,626)</u>	<u>610,095</u>	<u>107,154</u>	<u>378,134</u>	<u>455,375</u>	<u>812,573</u>	<u>993,864</u>	<u>648,399</u>	<u>704,788</u>
<b>Other financing sources (uses):</b>										
Transfers in	-	-	-	147,038	22,381	23,622	172,683	17,080	45,947	16,045
Transfers out	(3,480,827)	-	-	(147,038)	(22,381)	(23,622)	(627,776)	(723,300)	(109,151)	(443,145)
Other long-term liability proceeds	-	-	-	-	307,303	-	-	-	-	-
Issuance of debt	-	-	-	-	-	288,000	-	-	-	-
Total other financing sources (uses)	<u>(3,480,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,303</u>	<u>288,000</u>	<u>(455,093)</u>	<u>(706,220)</u>	<u>(63,204)</u>	<u>(427,100)</u>
<b>Special Items:</b>										
Sale of shell building	-	660,000	-	-	-	288,000	-	-	-	-
Total special items	<u>-</u>	<u>660,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>(2,491,656)</u>	<u>358,374</u>	<u>610,095</u>	<u>107,154</u>	<u>685,437</u>	<u>1,031,375</u>	<u>357,480</u>	<u>287,644</u>	<u>585,195</u>	<u>277,688</u>
<b>Fund balance - beginning</b>	<u>8,285,415</u>	<u>5,793,759</u>	<u>6,274,734</u>	<u>6,884,829</u>	<u>6,991,983</u>	<u>7,677,420</u>	<u>8,420,795</u>	<u>8,778,275</u>	<u>9,065,919</u>	<u>9,651,114</u>
<b>Fund balance - ending</b>	<u>\$ 5,793,759</u>	<u>\$ 6,152,133</u>	<u>\$ 6,884,829</u>	<u>\$ 6,991,983</u>	<u>\$ 7,677,420</u>	<u>\$ 8,708,795</u>	<u>\$ 8,778,275</u>	<u>\$ 9,065,919</u>	<u>\$ 9,651,114</u>	<u>\$ 9,928,802</u>

TABLE 5

**TOWN OF ALTAVISTA, VIRGINIA**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –**  
**PROPRIETARY FUND**  
**Last Ten Fiscal Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Operating revenues:</b>										
Charges for services	\$ 1,937,777	\$ 2,120,588	\$ 2,296,260	\$ 2,259,650	\$ 2,427,992	\$ 2,524,577	\$ 2,484,361	\$ 2,448,060	\$ 2,357,531	\$ 2,436,783
Other	25,611	27,847	36,932	15,136	44,311	32,678	32,856	22,618	43,566	20,901
Total operating revenues	1,963,388	2,148,435	2,333,192	2,274,786	2,472,303	2,557,255	2,517,217	2,470,678	2,401,097	2,457,684
<b>Operating expenses:</b>										
Salaries	609,041	517,307	516,878	531,779	565,553	587,689	561,172	744,497	784,417	767,291
Fringe benefits	150,597	115,438	138,983	141,492	172,321	205,490	197,047	222,494	226,524	243,451
Maintenance	156,629	114,112	69,344	40,683	118,922	61,874	43,469	66,981	78,773	76,241
Utilities	263,055	271,435	285,252	288,933	322,305	330,723	412,723	490,447	389,940	400,263
Materials and supplies	213,999	176,595	190,596	184,884	209,419	291,831	285,238	355,142	322,200	314,191
Sample testing	8,501	15,902	14,687	17,721	6,652	14,670	19,764	19,509	13,889	12,111
Purchase of water	64,632	68,516	60,868	70,693	75,059	90,573	101,972	66,504	2,244	8,110
Other	6,236	6,569	27,621	22,052	5,957	14,039	26,463	13,748	13,434	36,568
Depreciation	637,986	637,457	587,447	594,385	593,660	578,595	594,271	610,840	624,286	675,160
Amortization	-	-	683	683	683	963	1,801	1,802	4,064	4,064
Total operating expenses	2,110,676	1,923,331	1,892,359	1,893,305	2,070,531	2,176,447	2,243,920	2,591,964	2,459,771	2,537,450
<b>Operating income (loss)</b>	(147,288)	225,104	440,833	381,481	401,772	380,808	273,297	(121,286)	(58,674)	(79,766)
<b>Nonoperating revenues (expenses):</b>										
Interest income	13,421	7,751	6,439	9,382	13,268	65,990	80,106	66,672	20,950	10,911
Interest expense	(207,604)	(176,294)	(114,555)	(103,729)	(92,567)	(95,647)	(69,197)	(96,195)	(131,903)	(107,875)
Sale of timber	-	-	-	145,944	-	-	-	-	-	-
Loss on disposal of capital assets	-	(10,175)	-	-	-	-	-	-	-	-
Environmental remediation	-	-	-	-	-	(250,000)	-	-	-	-
DEQ grant	-	-	-	-	19,200	191,148	-	-	-	-
Total nonoperating revenues (expenses)	(194,183)	(178,718)	(108,116)	51,597	(60,099)	(88,509)	10,909	(29,523)	(110,953)	(96,964)
<b>Income before transfers and special item</b>	(341,471)	46,386	332,717	433,078	341,673	292,299	284,206	(150,809)	(169,627)	(176,730)
Transfers in	3,480,827	-	-	-	-	-	455,093	706,220	73,161	427,100
<b>Special item</b>										
Environmental remediation	-	(500,000)	-	-	-	-	-	-	-	-
<b>Change in net assets</b>	3,139,356	(453,614)	332,717	433,078	341,673	292,299	739,299	555,411	(96,466)	250,370
<b>Total net assets - beginning</b>	7,304,045	10,443,401	9,989,788	10,322,505	10,755,583	11,097,256	11,389,555	12,128,854	12,684,265	12,587,799
<b>Total net assets - ending</b>	\$ 10,443,401	\$ 9,989,787	\$ 10,322,505	\$ 10,755,583	\$ 11,097,256	\$ 11,389,555	\$ 12,128,854	\$ 12,684,265	\$ 12,587,799	\$ 12,838,169



# COMPLIANCE SECTION

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**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, each major fund, and the remaining fund information of the Town of Altavista, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of 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 opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. **However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.**

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider deficiencies 07-1 and 08-1 described in the accompanying schedule of findings and questioned costs 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance 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 October 20, 2011.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 20, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

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

**Compliance**

We have audited the Town of Altavista, Virginia's (the "Town") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2011. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs are the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

**In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2011.**

**Internal Control Over Compliance**

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

**Internal Control Over Compliance (Continued)**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 20, 2011

**TOWN OF ALTAVISTA, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development</u>		
Pass-Through Payments:		
Virginia Department of Housing and Community Development Community Development Block Grant	14.228	\$ 631,512
<u>Department of Justice</u>		
Pass-Through Payments:		
Virginia Department of Criminal Justice Services Edward Byrne Memorial Justice Assistance Grant Program	16.738	5,638
<u>Department of Transportation-Federal Highway Administration</u>		
Pass-Through Payments:		
Virginia Department of Transportation Highway Planning and Construction – Enhancement Program	20.205	410,021
<u>Department of Transportation-Federal Transit Administration</u>		
Pass-Through Payments:		
Virginia Department of Rail and Public Transportation Formula Grants for Other Than Urbanized Areas - Rural Transit Assistance Program	20.509	19,093
<u>Department of Transportation-National Highway Traffic Safety Administration</u>		
Pass-Through Payments:		
Virginia Department of Motor Vehicles State and Community Highway Safety – Open Container/ Alcohol Impaired Driving	20.607	3,290
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	20.601	3,903
		\$ 1,073,457

Note to Schedule of Expenditures of Federal Awards:

Note 1. This schedule is prepared on the accrual basis of accounting.

**TOWN OF ALTAVISTA, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2011**

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

State Agency Requirements:

Urban Highway Maintenance

**LOCAL COMPLIANCE MATTERS**

Town Charter

**FEDERAL COMPLIANCE MATTERS**

U.S. Office of Management and Budget Compliance Supplement (OMB Circular A-133):

Provisions and Conditions of agreements related to federal programs selected for testing.

**TOWN OF ALTAVISTA, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2011**

**A. SUMMARY OF AUDITOR’S RESULTS**

1. The auditor’s report expresses an **unqualified opinion** on the financial statements.
2. **Two significant deficiencies** relating to the audit of the financial statements were reported 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*. Items 07-1 and 08-1 were determined to be material weaknesses.
3. **There were no instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor’s report on compliance for the major federal award program expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to the major programs.
7. The programs tested as a major programs are:

<b>Name of Program:</b>	<b>CFDA#</b>
Community Development Block Grant	14.228
Highway Planning and Construction-Enhancement Program	20.205

8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The Town was not determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

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

**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.

**TOWN OF ALTAVISTA, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

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

**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.*

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

None.

**D. COMMONWEALTH OF VIRGINIA**

None.