



Altavista Virginia

A place to live, a way to live.

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

TOWN OF ALTAVISTA, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
 <u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Exhibit 1 Statement of Net Position	4
Exhibit 2 Statement of Activities	5-6
 Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Fund	7
Exhibit 4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Fund	9
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	10
Exhibit 7 Statement of Net Position—Proprietary Fund	11
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund	12
Exhibit 9 Statement of Cash Flows—Proprietary Fund	13
Exhibit 10 Statement of Fiduciary Net Position—Fiduciary Fund	14
 Notes to Financial Statements	 15-41
 <u>Required Supplementary Information:</u>	
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	42
Exhibit 12 Schedule of Funding Progress for Pension Plan	43
Exhibit 13 Schedule of Changes in Assets and Liabilities—Agency Fund	44

TOWN OF ALTAVISTA, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
<u>Other Supplementary Information:</u>	
Discretely Presented Component Unit—Altavista Economic Development Authority	
Schedule 1 Statement of Net Position—Proprietary Fund	45
Schedule 2 Statement of Revenues, Expenses, and Changes in Net Position— Proprietary Fund	46
Schedule 3 Statement of Cash Flows—Proprietary Fund	47
Statistical Information	
Table 1 General Government Revenues by Sources	48
Table 2 General Government Expenditures by Function	49
Table 3 Computation of Legal Debt Limit	50
Table 4 Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	51-52
Table 5 Comparative Statement of Revenues, Expenses and Changes Net Position—Proprietary Fund	53-54
<u>Compliance:</u>	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	57-58
Schedule of Expenditures of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	60
Schedule of Findings and Questioned Costs	61-62

TOWN OF ALTAVISTA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2014

TOWN COUNCIL

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

APPOINTED OFFICIALS

J. Waverly Coggsdale, III Town Manager
John Eller Town Attorney
Tobie Shelton Treasurer
Ken Walsh, Jr. Chief of Police

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Altavista, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, of Town of Altavista, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Altavista, Virginia's basic financial statements. The individual fund financial statements and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 of the basic financial statements.

Other Information (Continued)

The individual fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of Town of Altavista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Altavista, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
September 22, 2014

This page intentionally left blank

Basic Financial Statements

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Position
At June 30, 2014

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 11,433,770	\$ 967,079	\$ 12,400,849	\$ 25,530
Cash and cash equivalents, restricted	35,957	-	35,957	-
Receivables, (net of allowance for uncollectibles)	151,434	320,842	472,276	-
Due from other governments	260,125	-	260,125	-
Due from primary government	-	-	-	36,377
Prepaid expense	24,912	12,879	37,791	-
Inventory	57,688	-	57,688	-
Total current assets	\$ 11,963,886	\$ 1,300,800	\$ 13,264,686	\$ 61,907
Noncurrent assets:				
Capital assets:				
Land and construction in progress	\$ 3,113,490	\$ 1,974,137	\$ 5,087,627	\$ -
Buildings, infrastructure, and equipment (net of accumulated depreciation)	4,132,033	11,071,679	15,203,712	-
Total noncurrent assets	\$ 7,245,523	\$ 13,045,816	\$ 20,291,339	\$ -
Total assets	\$ 19,209,409	\$ 14,346,616	\$ 33,556,025	\$ 61,907
Liabilities:				
Current liabilities:				
Accounts payable	\$ 300,972	\$ 227,255	\$ 528,227	\$ 102,000
Accrued liabilities	97,353	36,916	134,269	-
Due to Component Unit EDA	36,377	-	36,377	-
Customer deposits	-	24,322	24,322	-
Environmental remediation	-	750,000	750,000	-
Current portion of long-term obligations	105,672	42,679	148,351	-
Total current liabilities	\$ 540,374	\$ 1,081,172	\$ 1,621,546	\$ 102,000
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	\$ 35,224	\$ 14,227	\$ 49,451	\$ -
Total liabilities	\$ 575,598	\$ 1,095,399	\$ 1,670,997	\$ 102,000
Net Position:				
Investment in capital assets	\$ 7,245,523	\$ 13,045,816	\$ 20,291,339	\$ -
Restricted	599,639	-	599,639	-
Unrestricted	10,788,649	205,401	10,994,050	(40,093)
Total net position	\$ 18,633,811	\$ 13,251,217	\$ 31,885,028	\$ (40,093)
Total liabilities and net position	\$ 19,209,409	\$ 14,346,616	\$ 33,556,025	\$ 61,907

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

TOWN OF ALTAVISTA, VIRGINIA

Statement of Activities
 For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 942,891	\$ -	\$ -	\$ -
Public safety	867,784	32,513	99,953	-
Public works	1,437,369	7,309	707,297	702,814
Parks, recreation, and cultural	190,996	-	-	-
Community development	164,926	-	-	-
Total governmental activities	\$ 3,603,966	\$ 39,822	\$ 807,250	\$ 702,814
Business - type activities				
Water and sewer	\$ 2,660,990	\$ 2,754,582	\$ -	\$ -
Total business-type activities	\$ 2,660,990	\$ 2,754,582	\$ -	\$ -
Total primary government	\$ 6,264,956	\$ 2,794,404	\$ 807,250	\$ 702,814
Component Unit:				
Altavista Economic Development Authority	\$ 57,026	\$ -	\$ -	\$ -
General Revenues				
Property taxes				
Meal taxes				
Sales and use taxes				
Bank stock taxes				
Business license taxes				
Other local taxes				
Grants and contributions not restricted to specific programs				
Revenue from use of money and property				
Contributions from primary government				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
\$ (942,891)	\$ -	\$ (942,891)	\$ -
(735,318)	-	(735,318)	-
(19,949)	-	(19,949)	-
(190,996)	-	(190,996)	-
(164,926)	-	(164,926)	-
<u>\$ (2,054,080)</u>	<u>\$ -</u>	<u>\$ (2,054,080)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 93,592</u>	<u>\$ 93,592</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 93,592</u>	<u>\$ 93,592</u>	<u>\$ -</u>
<u>\$ (2,054,080)</u>	<u>\$ 93,592</u>	<u>\$ (1,960,488)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,026)</u>
\$ 2,253,238	\$ -	\$ 2,253,238	\$ -
668,660	-	668,660	-
156,431	-	156,431	-
158,591	-	158,591	-
153,891	-	153,891	-
249,735	-	249,735	-
225,364	-	225,364	-
162,759	2,376	165,135	138
-	-	-	10,000
105,612	-	105,612	-
(83,000)	83,000	-	-
<u>\$ 4,051,281</u>	<u>\$ 85,376</u>	<u>\$ 4,136,657</u>	<u>\$ 10,138</u>
\$ 1,997,201	\$ 178,968	\$ 2,176,169	\$ (46,888)
16,636,610	13,072,249	29,708,859	6,795
<u>\$ 18,633,811</u>	<u>\$ 13,251,217</u>	<u>\$ 31,885,028</u>	<u>\$ (40,093)</u>

This page intentionally left blank

Fund Financial Statements

This page intentionally left blank

Balance Sheet
 Governmental Fund
 At June 30, 2014

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 11,433,770
Cash and cash equivalents, restricted	35,957
Receivables (net of allowance for uncollectibles):	
Taxes	38,677
Accounts	112,757
Due from other governments	260,125
Due from other funds	
Prepaid expenditures	24,912
Inventory	<u>57,688</u>
 Total assets	 \$ <u><u>11,963,886</u></u>
Liabilities:	
Accounts payable	\$ 300,972
Accrued liabilities	97,353
Due to Component Unit EDA	<u>36,377</u>
 Total liabilities	 \$ <u>434,702</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ <u>56,571</u>
Fund Balance:	
Nonspendable	\$ 82,600
Restricted	599,639
Committed	3,872,000
Unassigned	<u>6,918,374</u>
 Total fund balance	 \$ <u>11,472,613</u>
 Total liabilities, deferred inflows of resources and fund balance	 \$ <u><u>11,963,886</u></u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2014

Total fund balance for governmental funds (Exhibit 3) \$ 11,472,613

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

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

Land and construction in progress	\$	3,113,490	
Depreciable capital assets, net of accumulated depreciation		<u>4,132,033</u>	
 Total capital assets			 7,245,523

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.			56,571
---	--	--	--------

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	\$	<u>(140,896)</u>	
 Total long-term liabilities			 <u>(140,896)</u>
 Total net position of governmental activities (Exhibits 1 and 2)			 \$ <u><u>18,633,811</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2014

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 2,254,794
Other local taxes	1,387,308
Permits, privilege fees and regulatory licenses	16,100
Fines and forfeitures	16,413
Revenue from use of money and property	162,759
Charges for services	7,309
Miscellaneous	105,612
Intergovernmental:	
Revenue from the Commonwealth	985,520
Revenue from the Federal Government	749,908
	<u>5,685,723</u>
Total revenues	\$ <u>5,685,723</u>
Expenditures:	
Current:	
General government administration	\$ 906,012
Public safety	807,277
Public works	1,410,763
Parks, recreation and cultural	145,437
Community development	164,926
Capital outlay	896,230
	<u>4,330,645</u>
Total expenditures	\$ <u>4,330,645</u>
Excess (deficiency) of revenues over expenditures	\$ <u>1,355,078</u>
Other financing sources (uses):	
Transfers out	\$ <u>(83,000)</u>
Total other financing sources (uses)	\$ <u>(83,000)</u>
Net changes in fund balance	\$ 1,272,078
Fund balance at beginning of year	<u>10,200,535</u>
Fund balance at end of year	<u>\$ 11,472,613</u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balance - total governmental funds (Exhibit 5) \$ 286,558

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,033,202	
Depreciation expense	<u>(310,106)</u>	723,096

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in unavailable revenue - taxes. (1,556)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences		<u>3,583</u>
--------------------------------	--	--------------

Change in net position of governmental activities (Exhibit 2)		<u>\$ 1,011,681</u>
---	--	---------------------

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

Statement of Net Position
 Proprietary Fund
 At June 30, 2014

	Business-Type Activities Enterprise Fund <u>Water and Sewer</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 967,079
Receivables (net of allowance for uncollectibles):	
Accounts	320,842
Prepaid expenses	<u>12,879</u>
Total current assets	\$ <u>1,300,800</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	\$ 1,974,137
Buildings, infrastructure, and equipment, net of accumulated depreciation	<u>11,071,679</u>
Total noncurrent assets	\$ <u>13,045,816</u>
Total assets	\$ <u><u>14,346,616</u></u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 227,255
Accrued liabilities	36,916
Customers' deposits	24,322
Environmental remediation	750,000
Compensated absences - current portion	<u>42,679</u>
Total current liabilities	\$ <u>1,081,172</u>
Noncurrent liabilities:	
Compensated absences - noncurrent portion	\$ <u>14,227</u>
Total noncurrent liabilities	\$ <u>14,227</u>
Total liabilities	\$ <u>1,095,399</u>
Net Position:	
Investment in capital assets	\$ 13,045,816
Unrestricted	<u>205,401</u>
Total net position	\$ <u>13,251,217</u>
Total liabilities and net position	\$ <u><u>14,346,616</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2014

	<u>Business-Type Activities</u> <u>Enterprise Fund</u> <u>Water and Sewer</u>
Operating revenues:	
Charges for services	\$ 2,718,048
Other	36,534
	<hr/>
Total operating revenues	\$ 2,754,582
Operating expenses:	
Salaries	\$ 847,398
Fringe benefits	268,289
Maintenance	32,722
Utilities	431,410
Materials and supplies	290,007
Sample testing	23,847
Purchase of water	3,910
Other	54,120
Depreciation	709,287
	<hr/>
Total operating expenses	\$ 2,660,990
Operating income (loss)	\$ 93,592
Nonoperating revenues (expenses):	
Interest revenue	\$ 2,376
	<hr/>
Net nonoperating revenues (expenses)	\$ 2,376
Income (loss) before transfers	\$ 95,968
Transfers:	
Transfers in	\$ 83,000
	<hr/>
Net transfers	\$ 83,000
Change in net position	\$ 178,968
Net position, beginning of year	<hr/> 13,072,249
Net position, end of year	<hr/> <u>\$ 13,251,217</u>

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2014

	Business-Type Activities Enterprise Fund <u>Water and Sewer</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,901,817
Payments to suppliers	(741,531)
Payments for employees	<u>(1,112,537)</u>
Net cash provided by (used for) operating activities	\$ <u>1,047,749</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ <u>(888,186)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(888,186)</u>
Cash flows from noncapital financing activities:	
Transfer from other funds	\$ 83,000
Due to other funds	<u>(87,665)</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>(4,665)</u>
Cash flows from investing activities:	
Interest revenue	\$ <u>2,376</u>
Net cash provided by investing activities	\$ <u>2,376</u>
Increase in cash and cash equivalents	\$ 157,274
Cash and cash equivalents at beginning of year	<u>809,805</u>
Cash and cash equivalents at end of year	\$ <u><u>967,079</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 93,592
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations:	
Depreciation and amortization	709,287
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts receivable	141,606
(Increase)/Decrease in prepaid expenses	(1,335)
Increase/(Decrease) in accounts payable	95,820
Increase/(Decrease) in accrued liabilities	1,423
Increase/(Decrease) in compensated absences	1,727
Increase/(Decrease) in customer deposits	<u>5,629</u>
Net cash provided by (used for) operating activities	\$ <u><u>1,047,749</u></u>

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

Statement of Fiduciary Net Position
Fiduciary Fund
At June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,631</u>
Total assets	\$ <u><u>1,631</u></u>
LIABILITIES	
Amounts held for others	\$ <u>1,631</u>
Total liabilities	\$ <u><u>1,631</u></u>

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2014

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 Authority does not issue a separate financial report.

The Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from its legally separated *component unit* for which the primary government is financially accountable.

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

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

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

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.

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.

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds, which consist of the War Memorial Fund. These funds utilize the modified accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

D. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapse on June 30 for all Town units.
- 7) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

Excess of Expenditures over Appropriations

At June 30, there were no expenditures in excess of appropriations.

F. Cash and Cash Equivalents

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

G. Inventory

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

H. Prepaid Items

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

I. Allowance for Uncollectible Accounts

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

Real estate	\$	1,252
Personal property		<u>14,168</u>
Total	\$	<u><u>15,420</u></u>

J. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the government as assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

K. Capitalization of Interest

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

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

L. Unavailable Revenue

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$56,571 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$56,571 at June 30, 2014.

M. Compensated Absences

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

N. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

O. Fund Balance

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

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

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** - Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.

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

O. Fund Balance: (Continued)

- **Assigned** - Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Council which has been designated this authority.
- **Unassigned** - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

P. Restricted Resources-Fund Balance

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

Q. 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.

R. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2014.

S. Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

T. 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 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

U. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Credit Risk:

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

Concentration of Credit Risk:

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

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

	<u>Fair Value</u>
Investments:	
LGIP	\$ 25,796
Deposits	<u>12,436,240</u>
Total deposits and investments	<u>\$ 12,462,036</u>

Reconciliation to Statement of Net Position - Exhibit 1:

Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 12,400,549
Cash and cash equivalents, restricted	35,957
Discretely presented component unit:	
Cash and cash equivalents	<u>25,530</u>
Total deposits and investments	<u>\$ 12,462,036</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

External Investment Pools

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

Interest Rate Risk:

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

Custodial Credit Risk:

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

Restricted Amounts:

Restricted cash and cash equivalents consist of CDBG Loan Pool.

NOTE 3-RECEIVABLES:

Receivables are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 54,097	\$ -	\$ 54,097
Accounts	112,757	320,842	433,599
	<hr/>	<hr/>	<hr/>
Gross receivables	\$ 166,854	\$ 320,842	\$ 487,696
Less: allowance for uncollectibles	(15,420)	-	(15,420)
	<hr/>	<hr/>	<hr/>
Net receivables	\$ 151,434	\$ 320,842	\$ 472,276
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 4-INTERFUND TRANSFERS:

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 83,000
Water and Sewer Fund	<u>83,000</u>	<u>-</u>
Total	<u>\$ 83,000</u>	<u>\$ 83,000</u>

Transfers are used to help fund water and sewer operations in accordance with budgeting authorization.

NOTE 5-DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Personal property tax relief	\$ 26,900
Railroad rolling stock	19,056
Local sales taxes	25,580
Communication taxes	6,889
State fire grant	1,361
Rental tax	45
Mass transit	2,200
Federal Government:	
Mass transit	19,834
T-21 grant	148,823
LAP grant	<u>9,437</u>
Total	<u>\$ 260,125</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 6—CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 257,486	\$ -	\$ -	\$ 257,486
Construction in Progress	<u>1,919,922</u>	<u>936,082</u>	<u>-</u>	<u>2,856,004</u>
Total capital assets not being depreciated	<u>\$ 2,177,408</u>	<u>\$ 936,082</u>	<u>\$ -</u>	<u>\$ 3,113,490</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,161,577	\$ 18,000	\$ -	\$ 3,179,577
Machinery and equipment	3,241,613	79,120	100,503	3,220,230
Public domain infrastructure	<u>1,838,150</u>	<u>-</u>	<u>-</u>	<u>1,838,150</u>
Total capital assets being depreciated	<u>\$ 8,241,340</u>	<u>\$ 97,120</u>	<u>\$ 100,503</u>	<u>\$ 8,237,957</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,135,580	\$ 87,836	\$ -	\$ 1,223,416
Machinery and equipment	2,337,458	167,838	100,503	2,404,793
Public domain infrastructure	<u>423,283</u>	<u>54,432</u>	<u>-</u>	<u>477,715</u>
Total accumulated depreciation	<u>\$ 3,896,321</u>	<u>\$ 310,106</u>	<u>\$ 100,503</u>	<u>\$ 4,105,924</u>
Total capital assets being depreciated, net	<u>\$ 4,345,019</u>	<u>\$ (212,986)</u>	<u>\$ -</u>	<u>\$ 4,132,033</u>
Governmental activities capital assets, net	<u>\$ 6,522,427</u>	<u>\$ 723,096</u>	<u>\$ -</u>	<u>\$ 7,245,523</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 6-CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,189,158	\$ 784,979	\$ -	\$ 1,974,137
Total capital assets not being depreciated	<u>\$ 1,189,158</u>	<u>\$ 784,979</u>	<u>\$ -</u>	<u>\$ 1,974,137</u>
Capital assets, being depreciated:				
Distributions and transmission systems	\$ 11,624,720	\$ -	\$ -	\$ 11,624,720
Water and sewer plants	13,090,320	51,483	-	13,141,803
Machinery and equipment	<u>2,063,156</u>	<u>51,724</u>	<u>-</u>	<u>2,114,880</u>
Total capital assets being depreciated	<u>\$ 26,778,196</u>	<u>\$ 103,207</u>	<u>\$ -</u>	<u>\$ 26,881,403</u>
Less accumulated depreciation	<u>\$ 15,100,437</u>	<u>\$ 709,287</u>	<u>\$ -</u>	<u>\$ 15,809,724</u>
Total capital assets being depreciated, net	<u>\$ 11,677,759</u>	<u>\$ (606,080)</u>	<u>\$ -</u>	<u>\$ 11,071,679</u>
Net capital assets	<u><u>\$ 12,866,917</u></u>	<u><u>\$ 178,899</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,045,816</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 36,647
Public safety	50,803
Public works	152,685
Parks, recreation and cultural	<u>69,971</u>
Total governmental activities	<u><u>\$ 310,106</u></u>
Business-type activities:	
Water and sewer	<u>\$ 709,287</u>
Total business-type activities	<u><u>\$ 709,287</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

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

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ <u>144,479</u>	\$ <u>-</u>	\$ <u>3,583</u>	\$ <u>140,896</u>	\$ <u>105,672</u>
Total Governmental Activities	\$ <u>144,479</u>	\$ <u>-</u>	\$ <u>3,583</u>	\$ <u>140,896</u>	\$ <u>105,672</u>
Business-Type Activities:					
Compensated absences	\$ <u>55,179</u>	\$ <u>1,727</u>	\$ <u>-</u>	\$ <u>56,906</u>	\$ <u>42,679</u>
Total Business-Type Activities	\$ <u>55,179</u>	\$ <u>1,727</u>	\$ <u>-</u>	\$ <u>56,906</u>	\$ <u>42,679</u>
Total Primary Government	\$ <u>199,658</u>	\$ <u>1,727</u>	\$ <u>3,583</u>	\$ <u>197,802</u>	\$ <u>148,351</u>

NOTE 8—ENVIRONMENTAL REMEDIATION:

The Department of Environmental Quality (DEQ) has designated the Town a potential responsible party for cleanup of PCBs on certain Town owned property. There are several courses of action that the Town is considering to remedy the situation, with estimated costs ranging from \$750,000 to \$4,000,000. Management has submitted plans for the \$750,000 option to the DEQ. The estimated liability is based on the DEQ accepting this remedy proposed by the Town. If the DEQ does not accept the remedy, the actual costs may be more or less depending on their decision. The Town anticipates completing the project during fiscal year 2015 or 2016.

NOTE 9—PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
 Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

NOTE 9—PENSION PLAN:

A. Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
- State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. **Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. **Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. **Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. **Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. **Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employer-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 11.04% of annual covered payroll.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2014, the Town’s annual pension cost of \$234,784 was equal to the Town’s required and actual contributions.

Three-Year Trend Information for the Town:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 234,784	100%	\$ -
June 30, 2013	246,228	100%	-
June 30, 2012	120,132	100%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town’s plan was 83.45% funded. The actuarial accrued liability for benefits was \$9,442,743, and the actuarial value of assets was \$7,880,301, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,562,442. The covered payroll (annual payroll of active employees covered by the plan) was \$2,128,844 and ratio of the UAAL to the covered payroll was 73.39%.

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 10–SERVICE CONTRACTS:

Sewage Contract

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

NOTE 11–PROPERTY TAXES:

The major sources of property taxes are real estate and personal property. Assessments are the responsibility of Campbell County, while billing and collection are the Town’s responsibilities. Property taxes are levied annually on assessed values as of January 1 and are due by December 5 each year. Personal property taxes do not create a lien on property. The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of ten percent of the unpaid tax is due for late payment. Interest is accrued at ten percent for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

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

NOTE 12–RISK MANAGEMENT:

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

Workers’ Compensation Insurance is provided through the Virginia Municipal League. During 2012-2013, total premiums paid were approximately \$44,829. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General liability and other insurance is provided through policies with the Virginia Municipal League. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$5,000,000 limit. Property insurance is covered per statement of values and is approximately \$25,000,000. Police professional liability and public officials’ liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2014 were approximately \$68,146.

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, 2014 were approximately \$231,565.

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 13–MAJOR CUSTOMERS/TAXPAYERS:

During fiscal year 2014, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

NOTE 14–FUND BALANCE:

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

<u>Category</u>	<u>General Fund</u>
Nonspendable:	
Prepaid Expenditures	\$ 24,912
Inventory	57,688
	<hr/>
Total Nonspendable	\$ 82,600
	<hr/> <hr/>
Restricted:	
Public Works	\$ 534,500
Community Development	47,698
Public Safety	17,441
	<hr/>
Total Restricted	\$ 599,639
	<hr/> <hr/>
Committed:	
Community Development	\$ 288,647
Public Works	500,610
Other Capital Projects	3,082,743
	<hr/>
Total Committed	\$ 3,872,000
	<hr/> <hr/>
Unassigned	\$ 6,918,374
	<hr/> <hr/>
Total Fund Balance	\$ 11,472,613
	<hr/> <hr/>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

NOTE 15–PENDING GASB STATEMENTS:

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town believes the implementation of Statement No. 68 will significantly impact the Town’s net position; however, no formal study or estimate of the impact of this standard has been performed.

NOTE 16–LITIGATION:

At June 30, 2014, there were no matters of litigation involving the Town for which would materially affect the Town’s financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 17–CONSTRUCTION COMMITMENTS:

The Town had the following significant outstanding construction commitments as of June 30, 2014:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Main Street and Pittsylvania Intersection Improvements and Downtown Streetscape and Infrastructure Improvements	\$ 2,210,202	\$ 2,088,970	\$ 121,232

This page intentionally left blank

Required Supplementary Information

This page intentionally left blank

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 2,145,600	\$ 2,145,600	\$ 2,254,794	\$ 109,194
Other local taxes	1,265,100	1,290,750	1,387,308	96,558
Permits, privilege fees and regulatory licenses	16,000	16,000	16,100	100
Fines and forfeitures	20,200	20,200	16,413	(3,787)
Use of money and property	106,300	108,950	162,759	53,809
Charges for services	8,500	8,500	7,309	(1,191)
Miscellaneous	27,200	77,600	105,612	28,012
Intergovernmental	981,810	2,462,858	1,735,428	(727,430)
Total revenues	<u>\$ 4,570,710</u>	<u>\$ 6,130,458</u>	<u>\$ 5,685,723</u>	<u>\$ (444,735)</u>
Expenditures				
Current:				
General Government Administration	\$ 983,330	\$ 1,009,887	\$ 906,012	\$ 103,875
Public Safety	991,880	1,001,060	807,277	193,783
Public Works	1,697,700	1,966,670	1,410,763	555,907
Parks, Recreation, and Cultural	152,800	147,600	145,437	2,163
Community Development	262,720	193,320	164,926	28,394
Capital Outlay	6,000	1,710,400	896,230	814,170
Total expenditures	<u>\$ 4,094,430</u>	<u>\$ 6,028,937</u>	<u>\$ 4,330,645</u>	<u>\$ 1,698,292</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 476,280</u>	<u>\$ 101,521</u>	<u>\$ 1,355,078</u>	<u>\$ 1,253,557</u>
Other Financing Sources (Uses)				
Transfers in	\$ 31,200	\$ 279,129	\$ -	\$ (279,129)
Transfers out	(507,480)	(507,480)	(83,000)	424,480
Net Transfers	<u>\$ (476,280)</u>	<u>\$ (228,351)</u>	<u>\$ (83,000)</u>	<u>\$ 145,351</u>
Net change in fund balance	\$ -	\$ (126,830)	\$ 1,272,078	\$ 1,398,908
Fund balance, beginning of year	-	126,830	10,200,535	10,073,705
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,472,613</u>	<u>\$ 11,472,613</u>

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

Schedule of Funding Progress for Pension Plan
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2013	\$ 7,880,301	\$ 9,442,743	\$ 1,562,442	83.45%	\$ 2,128,844	73.39%
June 30, 2012	7,679,879	9,381,859	1,701,980	81.86%	2,059,807	82.63%
June 30, 2011	7,792,366	8,889,421	1,097,055	87.66%	2,063,637	53.16%

Schedule of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
War Memorial Donation Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 8,009	\$ 6,378	\$ 1,631
Total assets	<u>\$ -</u>	<u>\$ 8,009</u>	<u>\$ 6,378</u>	<u>\$ 1,631</u>
Liabilities:				
Amounts held for others	\$ -	\$ 8,009	\$ 6,378	\$ 1,631
Total liabilities	<u>\$ -</u>	<u>\$ 8,009</u>	<u>\$ 6,378</u>	<u>\$ 1,631</u>

This page intentionally left blank

Other Supplementary Information

This page intentionally left blank

Supporting Schedules

This page intentionally left blank

Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Net Position
Proprietary Fund
At June 30, 2014

Assets:

Current assets:

Cash and cash equivalents	\$	25,530
Due from primary government		<u>36,377</u>
Total current assets	\$	<u>61,907</u>
Total assets	\$	<u><u>61,907</u></u>

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	\$	<u>102,000</u>
Total liabilities	\$	<u>102,000</u>

Net Position:

Unrestricted	\$	<u>(40,093)</u>
Total net position	\$	<u>(40,093)</u>
Total liabilities and net position	\$	<u><u>61,907</u></u>

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2014

Operating expenses:	
Other expenses	\$ <u>57,026</u>
Total operating expenses	\$ <u>57,026</u>
Operating income (loss)	\$ <u>(57,026)</u>
Nonoperating revenues (expenses):	
Contributions from primary government	\$ 10,000
Interest income	<u>138</u>
Net nonoperating revenues (expenses)	\$ <u>10,138</u>
Change in net position	\$ (46,888)
Net position, beginning of year	<u>6,795</u>
Net position, end of year	<u><u>\$ (40,093)</u></u>

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2014

Cash flows from operating activities:		
Payments for performance incentive grants	\$	(10,000)
Payments for other expenses		<u>(57,026)</u>
Net cash provided by (used for) operating activities	\$	<u>(67,026)</u>
Cash flows from investing activities:		
Interest income	\$	<u>42</u>
Net cash provided by investing activities	\$	<u>42</u>
Increase (decrease) in cash and cash equivalents	\$	(66,984)
Cash and cash equivalents at beginning of year		<u>92,514</u>
Cash and cash equivalents at end of year	\$	<u><u>25,530</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	(57,026)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations:		
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts payable and accrued liabilities		<u>(10,000)</u>
Net cash provided by (used for) operating activities	\$	<u><u>(67,026)</u></u>

This page intentionally left blank

Statistical Information

This page intentionally left blank

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Miscellaneous	Inter-governmental	Total
2013-14	\$ 2,254,794	\$ 1,387,308	\$ 16,100	\$ 16,413	\$ 162,759	\$ 112,921	\$ 1,735,428	\$ 5,685,723
2012-13	2,160,291	1,392,295	21,770	33,736	137,327	73,607	1,281,712	5,100,738
2011-12	2,150,003	1,316,552	16,915	28,577	98,531	70,521	1,412,204	5,093,303
2010-11	2,198,629	1,346,196	1,160	14,942	39,371	143,427	2,016,179	5,759,904
2009-10	2,162,977	1,319,767	660	9,747	78,263	151,693	1,258,475	4,981,582
2008-09	2,047,392	1,325,078	870	10,933	161,059	208,274	1,026,344	4,779,950
2007-08	1,995,533	1,297,749	718	11,035	288,709	178,839	820,474	4,593,057
2006-07	1,979,013	1,285,877	10,488	24,882	305,232	195,269	808,547	4,609,308
2005-06	1,942,439	1,137,224	18,008	31,277	193,301	145,564	833,324	4,301,137
2004-05	1,689,246	1,108,255	17,604	16,812	126,926	185,707	774,876	3,919,426

(1) Consists solely of general fund revenues.

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

Fiscal Year	General Administration	Public Safety	Public Works	Recreation and Cultural	Community Development (2)	Capital Outlay	Debt Service	Total
2013-14	\$ 906,012	\$ 807,277	\$ 1,410,763	\$ 145,437	\$ 164,926	\$ 896,230	\$ -	\$ 4,330,645
2012-13	913,188	908,466	1,425,426	171,119	75,732	316,366	56,571	3,866,868
2011-12	942,180	1,536,328	1,816,541	260,844	-	595,155	292,356	5,443,404
2010-11	798,637	965,170	1,092,989	287,332	-	1,654,469	82,770	4,881,367
2009-10	873,090	809,229	1,100,745	407,280	-	1,000,165	82,771	4,273,280
2008-09	843,025	812,925	1,310,206	359,546	-	368,475	81,778	3,775,955
2007-08	862,765	801,058	1,469,131	266,062	-	291,182	81,778	3,771,976
2006-07	912,491	742,332	1,199,129	265,425	-	953,788	62,873	4,136,038
2005-06	840,103	826,763	1,474,907	284,406	-	475,640	-	3,901,819
2004-05	808,124	913,427	1,192,425	270,556	-	508,258	10,018	3,702,808

(1) Consists solely of general fund expenditures.

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

Computation of Legal Debt Limit
June 30, 2014

Assessed value of real estate, January 1, 2013	\$ 259,713,665
Legal debt limit, (10% of \$259,713,665)	\$ 25,971,367
Total bonded debt	-
Legal debt margin	\$ 25,971,367

TOWN OF ALTAVISTA, VIRGINIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:				
General property taxes	\$ 1,689,246	\$ 1,942,439	\$ 1,979,013	\$ 1,995,533
Other local taxes	1,108,255	1,137,224	1,285,877	1,297,749
Permits, privilege fees and regulatory licenses	17,604	18,008	10,488	718
Fines and forfeitures	16,812	31,277	24,882	11,035
Revenue from use of money and property	129,512	196,789	311,025	293,145
Charges for services	39,586	41,301	22,705	31,516
Miscellaneous	146,121	104,263	172,564	147,325
Intergovernmental	774,876	833,324	808,547	820,474
Total revenues	<u>\$ 3,922,012</u>	<u>\$ 4,304,625</u>	<u>\$ 4,615,101</u>	<u>\$ 4,597,495</u>
Expenditures:				
General government administration	\$ 808,124	\$ 840,103	\$ 912,491	\$ 862,765
Public safety	913,427	826,763	742,332	801,058
Public works	1,192,425	1,474,907	1,199,129	1,469,131
Parks, recreation, and cultural	290,742	306,242	289,113	279,008
Community development	-	-	-	-
Capital outlay	600,122	478,476	953,788	291,182
Debt service:				
Principal retirement	9,277	-	41,176	52,374
Interest and other fiscal charges	741	-	21,697	29,404
Total expenditures	<u>\$ 3,814,858</u>	<u>\$ 3,926,491</u>	<u>\$ 4,159,726</u>	<u>\$ 3,784,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 107,154</u>	<u>\$ 378,134</u>	<u>\$ 455,375</u>	<u>\$ 812,573</u>
Other financing sources (uses):				
Transfers in	\$ 147,038	\$ 22,381	\$ 23,622	\$ 172,683
Transfers (out)	(147,038)	(22,381)	(23,622)	(627,776)
Issuance of long-term debt	-	307,303	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 307,303</u>	<u>\$ -</u>	<u>\$ (455,093)</u>
Special Items:				
Sale of shell building	\$ -	\$ -	\$ 288,000	\$ -
Net changes in fund balances	\$ 107,154	\$ 685,437	\$ 743,375	\$ 357,480
Fund balance, beginning	<u>6,884,829</u>	<u>6,991,983</u>	<u>7,677,420</u>	<u>8,420,795</u>
Fund balance, ending	<u>\$ 6,991,983</u>	<u>\$ 7,677,420</u>	<u>\$ 8,420,795</u>	<u>\$ 8,778,275</u>

Table 4

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	2,047,392	\$ 2,162,977	\$ 2,198,629	\$ 2,150,003	\$ 2,160,291	\$ 2,254,794
	1,325,078	1,319,767	1,346,196	1,316,552	1,392,295	1,387,308
	870	660	1,160	16,915	21,770	16,100
	10,933	9,747	14,942	28,577	33,736	16,413
	163,318	78,619	39,371	98,576	137,327	162,759
	35,867	38,614	24,193	5,867	6,652	7,309
	172,407	113,079	119,234	64,654	66,955	105,612
	<u>1,026,344</u>	<u>1,258,475</u>	<u>2,016,179</u>	<u>1,412,204</u>	<u>1,281,712</u>	<u>1,735,428</u>
\$	<u>4,782,209</u>	<u>4,981,938</u>	<u>5,759,904</u>	<u>5,093,348</u>	<u>5,100,738</u>	<u>5,685,723</u>
\$	843,025	\$ 873,090	\$ 798,637	\$ 942,180	\$ 913,188	\$ 906,012
	812,925	809,229	965,170	1,536,328	908,466	807,277
	1,310,206	1,100,745	1,092,989	1,816,541	1,425,426	1,410,763
	371,936	420,437	308,698	278,255	171,119	145,437
	-	-	-	-	75,732	164,926
	368,475	1,047,267	1,806,852	595,155	316,366	896,230
	55,579	59,614	63,269	280,378	52,870	-
	<u>26,199</u>	<u>23,157</u>	<u>19,501</u>	<u>11,978</u>	<u>3,701</u>	<u>-</u>
\$	<u>3,788,345</u>	<u>4,333,539</u>	<u>5,055,116</u>	<u>5,460,815</u>	<u>3,866,868</u>	<u>4,330,645</u>
\$	<u>993,864</u>	<u>648,399</u>	<u>704,788</u>	<u>(367,467)</u>	<u>1,233,870</u>	<u>1,355,078</u>
\$	17,080	\$ 45,947	\$ 16,045	\$ 577,419	\$ -	\$ -
	(723,300)	(109,151)	(443,145)	(620,819)	(551,270)	(83,000)
	-	-	-	-	-	-
\$	<u>(706,220)</u>	<u>(63,204)</u>	<u>(427,100)</u>	<u>(43,400)</u>	<u>(551,270)</u>	<u>(83,000)</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	287,644	\$ 585,195	\$ 277,688	\$ (410,867)	\$ 682,600	\$ 1,272,078
	8,778,275	9,065,919	9,651,114	9,928,802	9,517,935	10,200,535
\$	<u>9,065,919</u>	<u>9,651,114</u>	<u>9,928,802</u>	<u>9,517,935</u>	<u>10,200,535</u>	<u>11,472,613</u>

TOWN OF ALTAVISTA, VIRGINIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating revenues:				
Charges for services	\$ 2,259,650	\$ 2,427,992	\$ 2,524,577	\$ 2,484,361
Other	15,136	44,311	32,678	32,856
Total operating revenues	<u>\$ 2,274,786</u>	<u>\$ 2,472,303</u>	<u>\$ 2,557,255</u>	<u>\$ 2,517,217</u>
Operating expenses:				
Salaries	\$ 531,779	\$ 565,553	\$ 587,689	\$ 561,172
Fringe benefits	141,492	172,321	205,490	197,047
Maintenance	40,683	118,922	61,874	43,469
Utilities	288,933	322,305	330,723	412,723
Materials and supplies	184,884	209,419	291,831	285,238
Sample testing	17,721	6,652	14,670	19,764
Purchase of water	70,693	75,059	90,573	101,972
Other	22,052	5,957	14,039	26,463
Depreciation	594,385	593,660	578,595	594,271
Amortization	683	683	963	1,801
Total operating expenditures	<u>\$ 1,893,305</u>	<u>\$ 2,070,531</u>	<u>\$ 2,176,447</u>	<u>\$ 2,243,920</u>
Operating income (loss)	<u>\$ 381,481</u>	<u>\$ 401,772</u>	<u>\$ 380,808</u>	<u>\$ 273,297</u>
Nonoperating revenues (expenses):				
Interest income	\$ 9,382	\$ 13,268	\$ 65,990	\$ 80,106
Interest expense	(103,729)	(92,567)	(95,647)	(69,197)
Sale of timber	145,944	-	-	-
Environmental remediation	-	-	(250,000)	-
DEQ grant	-	19,200	191,148	-
Total nonoperating revenues (expenses)	<u>\$ 51,597</u>	<u>\$ (60,099)</u>	<u>\$ (88,509)</u>	<u>\$ 10,909</u>
Income (loss) before transfers	<u>\$ 433,078</u>	<u>\$ 341,673</u>	<u>\$ 292,299</u>	<u>\$ 284,206</u>
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,093</u>
Net changes in net position	<u>\$ 433,078</u>	<u>\$ 341,673</u>	<u>\$ 292,299</u>	<u>\$ 739,299</u>
Net position, beginning	<u>10,322,505</u>	<u>10,755,583</u>	<u>11,097,256</u>	<u>11,389,555</u>
Net position, ending	<u><u>\$ 10,755,583</u></u>	<u><u>\$ 11,097,256</u></u>	<u><u>\$ 11,389,555</u></u>	<u><u>\$ 12,128,854</u></u>

Table 5

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	2,448,060	\$ 2,357,531	\$ 2,436,783	\$ 2,473,022	\$ 2,490,550	\$ 2,718,048
	<u>22,618</u>	<u>43,566</u>	<u>20,901</u>	<u>35,112</u>	<u>34,859</u>	<u>36,534</u>
\$	<u>2,470,678</u>	<u>2,401,097</u>	<u>2,457,684</u>	<u>2,508,134</u>	<u>2,525,409</u>	<u>2,754,582</u>
\$	744,497	\$ 784,417	\$ 767,291	\$ 784,016	\$ 830,583	\$ 847,398
	222,494	226,524	243,451	247,986	262,470	268,289
	66,981	78,773	76,241	57,994	43,594	32,722
	490,447	389,940	400,263	434,211	413,835	431,410
	355,142	322,200	314,191	305,291	294,745	290,007
	19,509	13,889	12,111	16,581	17,242	23,847
	66,504	2,244	8,110	7,553	4,007	3,910
	13,748	13,434	36,468	96,733	51,397	54,120
	610,840	624,286	675,160	733,329	713,319	709,287
	<u>1,802</u>	<u>4,064</u>	<u>4,064</u>	<u>54,122</u>	<u>-</u>	<u>-</u>
\$	<u>2,591,964</u>	<u>2,459,771</u>	<u>2,537,350</u>	<u>2,737,816</u>	<u>2,631,192</u>	<u>2,660,990</u>
\$	<u>(121,286)</u>	<u>(58,674)</u>	<u>(79,666)</u>	<u>(229,682)</u>	<u>(105,783)</u>	<u>93,592</u>
\$	66,672	\$ 20,950	\$ 10,911	\$ 4,480	\$ 3,388	\$ 2,376
	(96,195)	(131,903)	(107,875)	(60,385)	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	27,292	-	-
\$	<u>(29,523)</u>	<u>(110,953)</u>	<u>(96,964)</u>	<u>(28,613)</u>	<u>3,388</u>	<u>2,376</u>
\$	<u>(150,809)</u>	<u>(169,627)</u>	<u>(176,630)</u>	<u>(258,295)</u>	<u>(102,395)</u>	<u>95,968</u>
\$	<u>706,220</u>	<u>73,161</u>	<u>427,100</u>	<u>43,400</u>	<u>551,270</u>	<u>83,000</u>
\$	555,411	\$ (96,466)	\$ 250,470	\$ (214,895)	\$ 448,875	\$ 178,968
	<u>12,128,854</u>	<u>12,684,265</u>	<u>12,587,799</u>	<u>12,838,169</u>	<u>12,623,374</u>	<u>13,072,249</u>
\$	<u>12,684,265</u>	<u>12,587,799</u>	<u>12,838,269</u>	<u>12,623,274</u>	<u>13,072,249</u>	<u>13,251,217</u>

This page intentionally left blank

Compliance

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Altavista, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Altavista, Virginia's basic financial statements, and have issued our report thereon dated September 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Altavista, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Altavista, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Altavista, Virginia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. Finding 2014-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Altavista, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Altavista, Virginia's Response to Findings

Town of Altavista, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Altavista, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
September 22, 2014

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Town of Altavista, Virginia's 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 Town of Altavista, Virginia's major federal programs for the year ended June 30, 2014. Town of Altavista, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Altavista, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Town of Altavista, Virginia'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Altavista, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Altavista, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.


Report on Internal Control over Compliance

Management of Town of Altavista, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Altavista, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Town of Altavista, Virginia's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Charlottesville, Virginia
September 22, 2014

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Justice:			
Pass-Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10DJBX0311	\$ <u>4,538</u>
Department of Transportation:			
Pass-Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	EN06-162-190,P101,R201,C501	\$ 670,477
Virginia Department of Rail and Public Transportation:			
Formula Grants for Rural Areas	20.509	N/A	<u>74,893</u>
Total Department of Transportation			\$ <u>745,370</u>
Total Expenditures of Federal Awards-Reporting Entity			\$ <u><u>749,908</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activity of Town of Altavista, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Town of Altavista, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Altavista, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund \$ 749,908

Total primary government \$ 749,908

Total federal expenditures per the Schedule of Expenditures
of Federal Awards \$ 749,908

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? No

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014 (Continued)

Section II - Financial Statement Findings

2014-01: Segregation of Duties (Material Weakness)

Criteria:

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

Condition:

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

Cause:

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

Effect:

There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

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

Management's Response:

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

Section III - Prior Year Financial Statement Findings

2013-01: Segregation of Duties (Material Weakness)

Criteria:

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

Condition:

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

Cause:

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

Effect:

There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

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

Management's Response:

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