



# Altavista Virginia

*A place to live, a way to live.*

FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012



**TOWN OF ALTAVISTA, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2012**



TOWN OF ALTAVISTA, VIRGINIA

FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012

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TOWN OF ALTAVISTA, VIRGINIA

FINANCIAL REPORT  
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**TOWN OF ALTAVISTA, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**YEAR ENDED JUNE 30, 2012**

**TOWN COUNCIL**

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

**APPOINTED OFFICIALS**

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

**INDEPENDENT AUDITORS**

Robinson, Farmer, Cox Associates



# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Altavista, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Altavista, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Altavista, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2012, on our consideration of the Town of Altavista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 schedule of pension funding progress 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 schedules of funding progress 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 the 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 the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Altavista, Virginia's financial statements as a whole. The supporting schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Farnell, Cox Associates*  
Charlottesville, Virginia  
October 18, 2012

## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
At June 30, 2012

	Primary Government			Discretely Presented Component Unit
				Altavista
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 8,684,434	\$ 849,752	\$ 9,534,186	\$ 78,956
Cash and cash equivalents, restricted	10,501	-	10,501	-
Receivables, net	173,190	297,130	470,320	-
Due from other governments	72,080	-	72,080	-
Internal balances	734,503	(734,503)	-	-
Prepaid expense	22,494	10,789	33,283	-
Inventory	74,761	-	74,761	-
Total current assets	\$ 9,771,963	\$ 423,168	\$ 10,195,131	\$ 78,956
Noncurrent assets:				
Capital assets:				
Land and construction in progress	\$ 1,959,786	\$ 809,008	\$ 2,768,794	\$ -
Buildings and equipment (net of accumulated depreciation)	4,401,091	12,306,009	16,707,100	-
Total noncurrent assets	\$ 6,360,877	\$ 13,115,017	\$ 19,475,894	\$ -
Total assets	\$ 16,132,840	\$ 13,538,185	\$ 29,671,025	\$ 78,956
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	\$ 117,567	\$ 62,735	\$ 180,302	\$ 85,250
Accrued liabilities	65,063	30,521	95,584	-
Accrued interest payable	1,850	-	1,850	-
Customer deposits	-	18,045	18,045	-
Environmental remediation	-	750,000	750,000	-
Current portion of long-term obligations	160,994	40,665	201,659	-
Total current liabilities	\$ 345,474	\$ 901,966	\$ 1,247,440	\$ 85,250
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	\$ 34,154	\$ 12,845	\$ 46,999	\$ -
Total liabilities	\$ 379,628	\$ 914,811	\$ 1,294,439	\$ 85,250
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	\$ 6,308,007	\$ 13,115,017	\$ 19,423,024	\$ -
Restricted	424,229	-	424,229	-
Unrestricted	9,020,976	(491,643)	8,529,333	(6,294)
Total net assets	\$ 15,753,212	\$ 12,623,374	\$ 28,376,586	\$ (6,294)
Total liabilities and net assets	\$ 16,132,840	\$ 13,538,185	\$ 29,671,025	\$ 78,956

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government administration	\$ 935,565	\$ -	\$ -	\$ -
Public safety	1,554,299	45,492	108,218	-
Public works	1,407,889	5,867	696,531	446,011
Parks, recreation, and cultural	197,882	-	-	-
Interest on long-term debt	10,248	-	-	-
<b>Total governmental activities</b>	<b>\$ 4,105,883</b>	<b>\$ 51,359</b>	<b>\$ 804,749</b>	<b>\$ 446,011</b>
<b>Business - type activities</b>				
Water and sewer	\$ 2,798,201	\$ 2,508,134	\$ 27,292	\$ -
<b>Total business-type activities</b>	<b>\$ 2,798,201</b>	<b>\$ 2,508,134</b>	<b>\$ 27,292</b>	<b>\$ -</b>
<b>Total primary government</b>	<b>\$ 6,904,084</b>	<b>\$ 2,559,493</b>	<b>\$ 832,041</b>	<b>\$ 446,011</b>
<b>Component Unit:</b>				
Altavista Economic Development Authority	\$ 27,962	\$ -	\$ -	\$ -
<b>General Revenues</b>				
Property taxes				
Meal taxes				
Sales and use taxes				
Bank stock taxes				
Business license taxes				
Other local taxes				
Intergovernmental revenue not restricted to specific programs				
Revenue from use of money and property				
Payments from primary government				
Miscellaneous				
<b>Transfers</b>				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
\$ (935,565)	\$ -	\$ (935,565)	\$ -
(1,400,589)	-	(1,400,589)	-
(259,480)	-	(259,480)	-
(197,882)	-	(197,882)	-
(10,248)	-	(10,248)	-
<u>\$ (2,803,764)</u>	<u>\$ -</u>	<u>\$ (2,803,764)</u>	<u>\$ -</u>
\$ -	\$ (262,775)	\$ (262,775)	\$ -
\$ -	\$ (262,775)	\$ (262,775)	\$ -
<u>\$ (2,803,764)</u>	<u>\$ (262,775)</u>	<u>\$ (3,066,539)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,962)</u>
\$ 2,163,442	\$ -	\$ 2,163,442	\$ -
639,564	-	639,564	-
131,508	-	131,508	-
159,565	-	159,565	-
170,500	-	170,500	-
215,415	-	215,415	-
161,444	-	161,444	-
98,576	4,480	103,056	123
-	-	-	3,989
64,654	-	64,654	68,875
(43,400)	43,400	-	-
<u>\$ 3,761,268</u>	<u>\$ 47,880</u>	<u>\$ 3,809,148</u>	<u>\$ 72,987</u>
\$ 957,504	\$ (214,895)	\$ 742,609	\$ 45,025
<u>14,795,708</u>	<u>12,838,269</u>	<u>27,633,977</u>	<u>(51,319)</u>
<u>\$ 15,753,212</u>	<u>\$ 12,623,374</u>	<u>\$ 28,376,586</u>	<u>\$ (6,294)</u>

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 At June 30, 2012

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,683,353	\$ 1,081	\$ 8,684,434
Cash and cash equivalents, restricted	10,501	-	10,501
Receivables (net of allowance for uncollectibles):			
Taxes	42,530	-	42,530
Accounts	130,660	-	130,660
Due from other governments	72,080	-	72,080
Due from other funds	734,503	-	734,503
Prepaid expense	22,494	-	22,494
Inventory	74,761	-	74,761
<b>Total assets</b>	<b>\$ 9,770,882</b>	<b>\$ 1,081</b>	<b>\$ 9,771,963</b>
<b>Liabilities:</b>			
Accounts payable	\$ 116,486	\$ 1,081	\$ 117,567
Accrued liabilities	65,063	-	65,063
Deferred revenue	71,398	-	71,398
<b>Total liabilities</b>	<b>\$ 252,947</b>	<b>\$ 1,081</b>	<b>\$ 254,028</b>
<b>Fund Balance:</b>			
Nonspendable	\$ 97,255	\$ -	\$ 97,255
Restricted	424,229	-	424,229
Committed	4,002,640	-	4,002,640
Assigned	146,241	-	146,241
Unassigned	4,847,570	-	4,847,570
<b>Total fund balance</b>	<b>\$ 9,517,935</b>	<b>\$ -</b>	<b>\$ 9,517,935</b>
<b>Total liabilities and fund balance</b>	<b>\$ 9,770,882</b>	<b>\$ 1,081</b>	<b>\$ 9,771,963</b>

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 Assets  
At June 30, 2012

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Total fund balance for governmental funds (Exhibit 3) \$ 9,517,935

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

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

Land	\$ 1,959,786	
Depreciable capital assets, net of accumulated depreciation	<u>4,401,091</u>	
Total capital assets		6,360,877

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		71,398
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Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are as follows:

Other long-term liability	\$ (52,870)	
Accrued interest payable	(1,850)	
Compensated absences	<u>(142,278)</u>	
Total long-term liabilities		<u>(196,998)</u>

Total net assets of governmental activities (Exhibits 1 and 2)		<u>\$ 15,753,212</u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2012

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues:</b>			
General property taxes	\$ 2,150,003	\$ -	\$ 2,150,003
Other local taxes	1,316,552	-	1,316,552
Permits, privilege fees and regulatory licenses	16,915	-	16,915
Fines and forfeitures	28,577	-	28,577
Revenue from use of money and property	98,531	45	98,576
Charges for services	5,867	-	5,867
Miscellaneous	64,654	-	64,654
Intergovernmental	1,412,204	-	1,412,204
Total revenues	<u>\$ 5,093,303</u>	<u>\$ 45</u>	<u>\$ 5,093,348</u>
<b>Expenditures:</b>			
Current:			
General government administration	\$ 942,180	\$ -	\$ 942,180
Public safety	1,536,328	-	1,536,328
Public works	1,816,541	-	1,816,541
Parks, recreation and cultural	260,844	17,411	278,255
Capital outlay	595,155	-	595,155
Debt service:			
Principal retirement	280,378	-	280,378
Interest and other fiscal charges	11,978	-	11,978
Total expenditures	<u>\$ 5,443,404</u>	<u>\$ 17,411</u>	<u>\$ 5,460,815</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (350,101)</u>	<u>\$ (17,366)</u>	<u>\$ (367,467)</u>
<b>Other financing sources (uses):</b>			
Transfers in	\$ 100,932	\$ 476,487	\$ 577,419
Transfers out	<u>(519,887)</u>	<u>(100,932)</u>	<u>(620,819)</u>
Total other financing sources (uses)	<u>\$ (418,955)</u>	<u>\$ 375,555</u>	<u>\$ (43,400)</u>
Net changes in fund balance	\$ (769,056)	\$ 358,189	\$ (410,867)
Fund balance at beginning of year	<u>10,286,991</u>	<u>(358,189)</u>	<u>9,928,802</u>
Fund balance at end of year	<u>\$ 9,517,935</u>	<u>\$ -</u>	<u>\$ 9,517,935</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, 2012

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Net change in fund balance - total governmental funds (Exhibit 5) \$ (410,867)

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

Capital outlays	\$ 1,392,877	
Loss on disposal of assets	(3,613)	
Depreciation expense	<u>(314,123)</u>	1,075,141

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 deferred revenue - taxes. 13,439

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:

Principal retired on general obligation bond	\$ 230,966	
Principal retired on BGF Industries agreement	<u>49,412</u>	280,378

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 accrued leave	\$ (2,317)	
Change in interest payable	<u>1,730</u>	<u>(587)</u>

Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>957,504</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Assets  
 Proprietary Fund  
 At June 30, 2012

	<u>Business-Type Activities</u> <u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 849,752
Receivables (net of allowance for uncollectibles):	
Accounts	297,130
Prepaid expenses	<u>10,789</u>
Total current assets	\$ <u>1,157,671</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	\$ 809,008
Buildings and equipment, net of accumulated depreciation	<u>12,306,009</u>
Total noncurrent assets	\$ <u>13,115,017</u>
Total assets	\$ <u><u>14,272,688</u></u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 62,735
Accrued liabilities	30,521
Due to other funds	734,503
Customers' deposits	18,045
Environmental remediation	750,000
Compensated absences - current portion	<u>40,665</u>
Total current liabilities	\$ <u>1,636,469</u>
Noncurrent liabilities:	
Compensated absences - noncurrent portion	\$ <u>12,845</u>
Total noncurrent liabilities	\$ <u>12,845</u>
Total liabilities	\$ <u>1,649,314</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	\$ 13,115,017
Unrestricted	<u>(491,643)</u>
Total net assets	\$ <u>12,623,374</u>
Total liabilities and net assets	\$ <u><u>14,272,688</u></u>

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

Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Fund Water and Sewer
<b>Operating revenues:</b>	
Charges for services	\$ 2,473,022
Other	35,112
Total operating revenues	\$ 2,508,134
<b>Operating expenses:</b>	
Salaries	\$ 784,016
Fringe benefits	247,986
Maintenance	57,994
Utilities	434,211
Materials and supplies	305,291
Sample testing	16,581
Purchase of water	7,553
Other	96,733
Depreciation	733,329
Amortization	54,122
Total operating expenses	\$ 2,737,816
Operating income (loss)	\$ (229,682)
<b>Nonoperating revenues (expenses):</b>	
Interest revenue	\$ 4,480
Interest expense	(60,385)
Fluoride grant	27,292
Net nonoperating revenues (expenses)	\$ (28,613)
<b>Loss before capital contributions and transfers</b>	\$ (258,295)
<b>Transfers:</b>	
Transfers in	\$ 43,400
Net transfers	\$ 43,400
Change in net assets	\$ (214,895)
Net assets, beginning of year	12,838,269
Net assets, end of year	\$ 12,623,374

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, 2012

	Business-Type Activities Enterprise Fund <u>Water and Sewer</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,537,289
Payments to suppliers	(914,891)
Payments for employees	<u>(1,025,475)</u>
Net cash provided by (used in) operating activities	\$ <u>596,923</u>
Cash flows from capital and related financing activities:	
Interest expense	\$ (72,768)
Purchase of capital assets	(227,868)
Principal retired on debt	<u>(3,205,845)</u>
Net cash provided by (used in) capital and related financing activities	\$ <u>(3,506,481)</u>
Cash flows from noncapital financing activities:	
Fluoride grant	\$ 27,292
Transfer from other funds	43,400
Due to other funds	<u>80,325</u>
Net cash provided by (used in) noncapital financing activities	\$ <u>151,017</u>
Cash flows from investing activities:	
Interest earned	\$ <u>4,480</u>
Net cash provided by investing activities	\$ <u>4,480</u>
Increase in cash and cash equivalents	\$ (2,754,061)
Cash and cash equivalents at beginning of year	<u>3,603,813</u>
Cash and cash equivalents at end of year	\$ <u><u>849,752</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (229,682)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:	
Depreciation and amortization	787,451
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts receivable	30,465
(Increase)/Decrease in prepaid expenses	244
Increase/(Decrease) in accounts payable	3,228
Increase/(Decrease) in accrued liabilities	3,915
Increase/(Decrease) in compensated absences	2,612
Increase/(Decrease) in customer deposits	<u>(1,310)</u>
Net cash provided by (used in) operating activities	\$ <u><u>596,923</u></u>

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

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## TOWN OF ALTAVISTA, VIRGINIA

### Notes to Financial Statements As of June 30, 2012

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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##### A. The Financial Reporting Entity

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

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

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

##### Altavista Economic Development Authority

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

The Town has no related or jointly governed organizations.

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

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government-fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental fund:

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

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

The Town reports the following major proprietary fund:

The *water and sewer enterprise fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability, or other purposes. The water and sewer enterprise fund consists of the activities relating to water and sewer services.

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

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

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

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

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

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

**D. Budgets and Budgetary Accounting**

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

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 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.

At June 30, total expenditures related to public safety and capital outlay exceeded budgeted amounts by \$3,483.

**E. Cash and Cash Equivalents**

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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F. Inventory

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

G. Prepaid Items

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

H. Allowance for Uncollectible Accounts

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

Real estate	\$ 1,604
Personal property	<u>21,738</u>
Total	<u>\$ 23,342</u>

I. Capital Assets

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

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

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

<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

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

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I. Capital Assets: (Continued)

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

J. Capitalization of Interest

The Town follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. For the current year, interest totaling \$26,358 was capitalized in the water and sewer fund.

K. Deferred Revenue

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

L. Compensated Absences

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

M. Net Assets/Fund Balance

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

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

The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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

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M. Net Assets/Fund Balance: (Continued)

- **Committed** - Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** - Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Council which has been designated this authority.
- **Unassigned** - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

N. Restricted Resources

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

O. 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.

P. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2012.

Q. Uses of Estimates

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

R. Performance Grants Payable

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

## TOWN OF ALTAVISTA, VIRGINIA

### Notes to Financial Statements As of June 30, 2012 (Continued)

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#### NOTE 2—DEPOSITS AND INVESTMENTS:

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##### 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

###### Investment Policy:

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

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

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

###### Credit Risk:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

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Investments: (Continued)

Concentration of Credit Risk:

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

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

	<u>Fair Value</u>
<b>Investments:</b>	
LGIP	\$ 219,387
<b>Deposits</b>	<u>9,403,956</u>
 Total deposits and investments	 \$ <u><u>9,623,343</u></u>
 <b>Reconciliation to Statement of Net Assets - Exhibit 1:</b>	
Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 9,533,886
Cash and cash equivalents, restricted	10,501
Discretely presented component unit:	
Cash and cash equivalents	<u>78,956</u>
 Total deposits and investments	 \$ <u><u>9,623,343</u></u>

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.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

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	\$ 65,772	\$ -	\$ 65,772
Accounts	130,660	297,130	427,790
	<u>196,432</u>	<u>297,130</u>	<u>493,562</u>
Gross receivables	\$ 196,432	\$ 297,130	\$ 493,562
Less: allowance for uncollectibles	<u>(23,242)</u>	<u>-</u>	<u>(23,242)</u>
Net receivables	<u>\$ 173,190</u>	<u>\$ 297,130</u>	<u>\$ 470,320</u>

NOTE 4-INTERFUND RECEIVABLES AND PAYABLES/INTERFUND TRANSFERS:

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ <u>734,503</u>

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 4-INTERFUND RECEIVABLES AND PAYABLES/INTERFUND TRANSFERS: (CONTINUED)**

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 100,932	\$ 519,887
Nonmajor Governmental Fund	476,487	100,932
Water and Sewer Fund	43,400	-
Total	<u>\$ 620,819</u>	<u>\$ 620,819</u>

The transfer out from the nonmajor governmental fund is to repay the general fund for expenditures incurred on behalf of the nonmajor governmental fund.

**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	\$ 25,429
Railroad rolling stock	15,675
Local sales taxes	10,908
Communication taxes	7,084
State fire grant	1,303
Mass transit	575
Federal Government:	
Mass transit	4,256
LAP grant	6,850
Total	<u>\$ 72,080</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

NOTE 6—CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 257,486	\$ -	\$ -	\$ 257,486
Construction in Progress	<u>1,088,582</u>	<u>613,718</u>	<u>-</u>	<u>1,702,300</u>
Total capital assets not being depreciated	<u>\$ 1,346,068</u>	<u>\$ 613,718</u>	<u>\$ -</u>	<u>\$ 1,959,786</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,935,981	\$ 101,709	\$ -	\$ 3,037,690
Machinery and equipment	3,089,163	220,039	61,484	3,247,718
Public domain infrastructure	<u>1,380,739</u>	<u>457,411</u>	<u>-</u>	<u>1,838,150</u>
Total capital assets being depreciated	<u>\$ 7,405,883</u>	<u>\$ 779,159</u>	<u>\$ 61,484</u>	<u>\$ 8,123,558</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 964,222	\$ 82,582	\$ -	\$ 1,046,804
Machinery and equipment	2,187,574	177,109	57,871	2,306,812
Public domain infrastructure	<u>314,419</u>	<u>54,432</u>	<u>-</u>	<u>368,851</u>
Total accumulated depreciation	<u>\$ 3,466,215</u>	<u>\$ 314,123</u>	<u>\$ 57,871</u>	<u>\$ 3,722,467</u>
Total capital assets being depreciated, net	<u>\$ 3,939,668</u>	<u>\$ 465,036</u>	<u>\$ 3,613</u>	<u>\$ 4,401,091</u>
Governmental activities capital assets, net	<u>\$ 5,285,736</u>	<u>\$ 1,078,754</u>	<u>\$ 3,613</u>	<u>\$ 6,360,877</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

NOTE 6-CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Construction in Progress	\$ 661,408	\$ 147,600	\$ -	\$ 809,008
Total capital assets not being depreciated	<u>\$ 661,408</u>	<u>\$ 147,600</u>	<u>\$ -</u>	<u>\$ 809,008</u>
Capital assets, being depreciated:				
Distributions and transmission systems	\$ 11,624,720	\$ -	\$ -	\$ 11,624,720
Water and sewer plants	13,090,320	-	-	13,090,320
Machinery and equipment	<u>1,897,819</u>	<u>80,268</u>	<u>-</u>	<u>1,978,087</u>
Total capital assets being depreciated	<u>\$ 26,612,859</u>	<u>\$ 80,268</u>	<u>\$ -</u>	<u>\$ 26,693,127</u>
Less accumulated depreciation	<u>\$ 13,653,789</u>	<u>\$ 733,329</u>	<u>\$ -</u>	<u>\$ 14,387,118</u>
Total capital assets being depreciated, net	<u>\$ 12,959,070</u>	<u>\$ (653,061)</u>	<u>\$ -</u>	<u>\$ 12,306,009</u>
Net capital assets	<u><u>\$ 13,620,478</u></u>	<u><u>\$ (505,461)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,115,017</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 33,726
Public safety	67,703
Public works	158,663
Parks, recreation and cultural	<u>54,031</u>
Total governmental activities	<u><u>\$ 314,123</u></u>
Business-type activities:	
Water and sewer	<u>\$ 733,329</u>
Total business-type activities	<u><u>\$ 733,329</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

NOTE 7—LONG-TERM LIABILITIES:

Prior Year Defeasance of Debt

In 2003, the Town defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the Town's financial statements. At June 30, 2012, \$1,815,948 of bonds outstanding is considered defeased.

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

	<u>Amounts Payable at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation public improvement bond	\$ 230,966	\$ -	\$ 230,966	\$ -	\$ -
Other long-term liability	102,282	-	49,412	52,870	52,870
Compensated absences payable	<u>139,961</u>	<u>2,317</u>	<u>-</u>	<u>142,278</u>	<u>108,124</u>
Total Governmental Activities	<u>\$ 473,209</u>	<u>\$ 2,317</u>	<u>\$ 280,378</u>	<u>\$ 195,148</u>	<u>\$ 160,994</u>
<b>Business-Type Activities:</b>					
General obligation refunding bond	\$ 829,091	\$ -	\$ 829,091	\$ -	\$ -
General obligation public improvement bond	2,376,754	-	2,376,754	-	-
Compensated absences payable	<u>50,898</u>	<u>2,612</u>	<u>-</u>	<u>53,510</u>	<u>40,665</u>
Total Business-Type Activities	<u>\$ 3,256,743</u>	<u>\$ 2,612</u>	<u>\$ 3,205,845</u>	<u>\$ 53,510</u>	<u>\$ 40,665</u>
Total Primary Government	<u>\$ 3,729,952</u>	<u>\$ 4,929</u>	<u>\$ 3,486,223</u>	<u>\$ 248,658</u>	<u>\$ 201,659</u>

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

	<u>Year Ending June 30,</u>	<u>Other Long-Term Liability</u>	
		<u>Principal</u>	<u>Interest</u>
2013	\$	<u>52,870</u>	<u>\$ 3,701</u>
Total	\$	<u>52,870</u>	<u>\$ 3,701</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

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**Other Long-Term Liability**

In 2006, the Town entered into a verbal agreement to reimburse BGF Industries for improvements to the Town's stormwater management system located on BGF's property. The Town agreed to pay \$396,000 over a seven year period. The Town has imputed interest at the rate of seven percent and thereby discounted the debt to a total principal amount of \$307,303. Payments are to be made annually in the amount of \$56,571. At year end, \$52,870 was outstanding under this agreement.

**NOTE 8—ENVIRONMENTAL REMEDIATION:**

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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 2013 or 2014.

**NOTE 9—DEFINED BENEFIT PENSION PLAN:**

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**A. Plan Description**

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

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

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-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. In addition, the Town of Altavista, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town of Altavista, Virginia's contribution rate for the fiscal year ended 2012 was 5.75% of annual covered payroll.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2012, the Town's annual pension cost of \$120,132 (not including the employee contribution of \$104,463) was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 120,132	100%	\$ -
June 30, 2011	120,648	100%	-
June 30, 2010	165,468	100%	-

(1) Employer portion only

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% 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. 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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 87.66% funded. The actuarial accrued liability for benefits was \$8,889,421, and the actuarial value of assets was \$7,792,366, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,097,055. The covered payroll (annual payroll of active employees covered by the plan) was \$2,063,637, and ratio of the UAAL to the covered payroll was 53.16%.

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**NOTE 10–SERVICE CONTRACTS:**

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**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:**

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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:**

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

Workers’ Compensation Insurance is provided through the Virginia Municipal League. During 2011-2012, total premiums paid were approximately \$42,782. 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, 2012 were approximately \$43,126.

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, 2012 were approximately \$258,019.

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, 2012 (Continued)

**NOTE 13–MAJOR CUSTOMERS/TAXPAYERS:**

During fiscal year 2012, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

**NOTE 14–FUND BALANCE/NET ASSETS:**

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

Category	General Fund	Other Governmental Fund	Total Primary Government
<b>Nonspendable:</b>			
Prepaid Expenses	\$ 22,494	\$ -	\$ 22,494
Inventory	74,761	-	74,761
Total Nonspendable	\$ 97,255	\$ -	\$ 97,255
<b>Restricted:</b>			
Public Works	\$ 411,700	\$ -	\$ 411,700
Public Safety	12,529	-	12,529
Total Restricted	\$ 424,229	\$ -	\$ 424,229
<b>Committed:</b>			
Community Development	\$ 250,055	\$ -	\$ 250,055
Public Works	459,711	-	459,711
Other Capital Projects	3,292,874	-	3,292,874
Total Committed	\$ 4,002,640	\$ -	\$ 4,002,640
<b>Assigned:</b>			
Community Development	\$ 146,241	\$ -	\$ 146,241
Total Assigned	\$ 146,241	\$ -	\$ 146,241
<b>Unassigned</b>	\$ 4,847,570	\$ -	\$ 4,847,570
Total Fund Balance	\$ 9,517,935	\$ -	\$ 9,517,935

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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NOTE 14–FUND BALANCE/NET ASSETS: (CONTINUED)

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**Restricted Net Assets**

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

**Deficit - EDA Net Assets**

A deficit in net assets of \$6,294 exists due to minimal revenue sources for agreements in place for the payment of incentives. These deficits are anticipated to be covered through contributions from the Town's general fund.

NOTE 15–PAYOFF OF FIRE DEPARTMENT LOAN:

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In fiscal year 2012, the Town decided to pay off a loan for the Fire Department in the amount of \$505,834. This significantly increased the contribution to the Fire Department compared to prior fiscal years. The contribution is recorded as a public safety expenditure in the financial statements.

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**Required Supplementary Information**

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Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
General property taxes	\$ 1,933,300	\$ 2,100,200	\$ 2,150,003	\$ 49,803
Other local taxes	1,218,500	1,327,900	1,316,552	(11,348)
Permits, privilege fees and regulatory licenses	15,600	16,350	16,915	565
Fines and forfeitures	7,200	28,050	28,577	527
Use of money and property	77,800	99,060	98,531	(529)
Charges for services	7,900	5,400	5,867	467
Miscellaneous	57,300	62,060	64,654	2,594
Intergovernmental	1,379,500	1,364,000	1,412,204	48,204
Total revenues	<u>\$ 4,697,100</u>	<u>\$ 5,003,020</u>	<u>\$ 5,093,303</u>	<u>\$ 90,283</u>
<b>Expenditures</b>				
Current:				
General Government Administration	\$ 952,400	\$ 956,490	\$ 942,180	\$ 14,310
Public Safety	1,018,200	1,534,700	1,536,328	(1,628)
Public Works	1,681,100	1,880,468	1,816,541	63,927
Parks, Recreation, and Cultural	156,000	264,600	260,844	3,756
Capital Outlay	649,800	593,300	595,155	(1,855)
Debt service:				
Principal retirement	66,400	280,500	280,378	122
Interest and other fiscal charges	15,400	12,000	11,978	22
Total expenditures	<u>\$ 4,539,300</u>	<u>\$ 5,522,058</u>	<u>\$ 5,443,404</u>	<u>\$ 78,654</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 157,800</u>	<u>\$ (519,038)</u>	<u>\$ (350,101)</u>	<u>\$ 168,937</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 599,700	\$ 1,697,600	\$ 100,932	\$ (1,596,668)
Transfers out	(757,500)	(864,110)	(519,887)	344,223
Net Transfers	<u>\$ (157,800)</u>	<u>\$ 833,490</u>	<u>\$ (418,955)</u>	<u>\$ (1,252,445)</u>
Net change in fund balance	\$ -	\$ 314,452	\$ (769,056)	\$ (1,083,508)
Fund balance, beginning of year	-	(314,452)	10,286,991	10,601,443
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,517,935</u>	<u>\$ 9,517,935</u>

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

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2011	\$ 7,792,366	\$ 8,889,421	\$ 1,097,055	87.66%	\$ 2,063,637	53.16%
June 30, 2010	7,707,286	8,265,071	557,785	93.25%	2,048,370	27.23%
June 30, 2009	7,862,679	7,590,016	(272,663)	103.59%	1,938,311	-14.07%

**Other Supplementary Information**

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## Supporting Schedules

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Discretely Presented Component Unit -  
Altavista Economic Development Authority  
Statement of Net Assets  
Proprietary Fund  
At June 30, 2012

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**Assets:**

## Current assets:

Cash and cash equivalents	\$ <u>78,956</u>
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Total assets	\$ <u><u>78,956</u></u>
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**Liabilities:**

## Current liabilities:

Accounts payable and accrued liabilities	\$ <u>85,250</u>
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Total liabilities	\$ <u>85,250</u>
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**Net Assets:**

Unrestricted	\$ <u>(6,294)</u>
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Total net assets	\$ <u>(6,294)</u>
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Total liabilities and net assets	\$ <u><u>78,956</u></u>
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Discretely Presented Component Unit -  
 Altavista Economic Development Authority  
 Statement of Revenues, Expenses, and Changes in Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2012

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<b>Operating expenses:</b>	
Other expenses	\$ <u>27,962</u>
Total operating expenses	\$ <u>27,962</u>
Operating income (loss)	\$ <u>(27,962)</u>
<b>Nonoperating revenues (expenses):</b>	
Contributions from primary government	\$ 68,875
Other income	3,989
Interest income	<u>123</u>
Net nonoperating revenues (expenses)	\$ <u>72,987</u>
Change in net assets	\$ 45,025
Net assets, beginning of year	<u>(51,319)</u>
Net assets, end of year	\$ <u><u>(6,294)</u></u>

Discretely Presented Component Unit -  
 Altavista Economic Development Authority  
 Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended June 30, 2012

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Cash flows from operating activities:	
Payments for performance incentive grants	\$ (68,875)
Payments for other expenses	<u>(27,962)</u>
Net cash provided by (used in) operating activities	<u>\$ (96,837)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	<u>\$ 68,875</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 68,875</u>
Cash flows from investing activities:	
Interest earned	\$ 123
Other income	<u>3,989</u>
Net cash provided by investing activities	<u>\$ 4,112</u>
Increase in cash and cash equivalents	\$ (23,850)
Cash and cash equivalents at beginning of year	<u>102,806</u>
Cash and cash equivalents at end of year	<u><u>\$ 78,956</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (27,962)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:	
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts payable and accrued liabilities	<u>(68,875)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (96,837)</u></u>

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## Statistical Tables

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Miscellaneous	Inter-governmental	Total
2011-12	\$ 2,150,003	\$ 1,316,552	\$ 16,915	\$ 28,577	\$ 98,531	\$ 70,521	\$ 1,412,204	\$ 5,093,303
2010-11	2,198,629	1,346,196	1,160	14,942	39,371	143,427	2,016,179	5,759,904
2009-10	2,162,977	1,319,767	660	9,747	78,263	151,693	1,258,475	4,981,582
2008-09	2,047,392	1,325,078	870	10,933	161,059	208,274	1,026,344	4,779,950
2007-08	1,995,533	1,297,749	718	11,035	288,709	178,839	820,474	4,593,057
2006-07	1,979,013	1,285,877	10,488	24,882	305,232	195,269	808,547	4,609,308
2005-06	1,942,439	1,137,224	18,008	31,277	193,301	145,564	833,324	4,301,137
2004-05	1,689,246	1,108,255	17,604	16,812	126,926	185,707	774,876	3,919,426
2003-04	1,728,289	1,157,142	17,918	29,179	72,382	123,088	853,300	3,981,298
2002-03	1,750,812	1,164,317	29,361	14,965	100,867	727,548	669,905	4,457,775

(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	Capital Outlay	Debt Service	Total
2011-12	\$ 942,180	\$ 1,536,328	\$ 1,816,541	\$ 260,844	\$ 595,155	\$ 292,356	\$ 5,443,404
2010-11	798,637	965,170	1,092,989	287,332	1,654,469	82,770	4,881,367
2009-10	873,090	809,229	1,100,745	407,280	1,000,165	82,771	4,273,280
2008-09	843,025	812,925	1,310,206	359,546	368,475	81,778	3,775,955
2007-08	862,765	801,058	1,469,131	266,062	291,182	81,778	3,771,976
2006-07	912,491	742,332	1,199,129	265,425	953,788	62,873	4,136,038
2005-06	840,103	826,763	1,474,907	284,406	475,640	-	3,901,819
2004-05	808,124	913,427	1,192,425	270,556	508,258	10,018	3,702,808
2003-04	710,765	694,842	1,403,846	183,875	171,924	10,000	3,175,252
2002-03	694,311	652,472	1,176,922	178,330	1,142,596	360,000	4,204,631

(1) Consists solely of general fund expenditures.

Computation of Legal Debt Limit  
June 30, 2012

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Assessed value of real estate, January 1, 2011	\$ <u>257,392,383</u>
Legal debt limit, (10% of \$257,392,383)	\$ 25,739,238
Total bonded debt	<u>-</u>
Legal debt margin	\$ <u>25,739,238</u>

TOWN OF ALTAVISTA, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Revenues:</b>				
General property taxes	\$ 1,750,812	\$ 1,728,289	\$ 1,689,246	\$ 1,942,439
Other local taxes	1,164,317	1,157,142	1,108,255	1,137,224
Permits, privilege fees and regulatory licenses	29,361	17,918	17,604	18,008
Fines and forfeitures	14,965	29,179	16,812	31,277
Revenue from use of money and property	107,091	77,349	129,512	196,789
Charges for services	7,550	35,688	39,586	41,301
Miscellaneous	178,749	164,108	146,121	104,263
Intergovernmental	669,905	853,300	774,876	833,324
<b>Total revenues</b>	<u>\$ 3,922,750</u>	<u>\$ 4,062,973</u>	<u>\$ 3,922,012</u>	<u>\$ 4,304,625</u>
<b>Expenditures:</b>				
General government administration	\$ 694,311	\$ 710,765	\$ 808,124	\$ 840,103
Public safety	652,472	694,842	913,427	826,763
Public works	1,176,922	1,403,846	1,192,425	1,474,907
Parks, recreation, and cultural	198,075	201,351	290,742	306,242
Capital outlay	1,142,596	432,074	600,122	478,476
Debt service:				
Principal retirement	357,943	8,561	9,277	-
Interest and other fiscal charges	2,057	1,439	741	-
<b>Total expenditures</b>	<u>\$ 4,224,376</u>	<u>\$ 3,452,878</u>	<u>\$ 3,814,858</u>	<u>\$ 3,926,491</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (301,626)</u>	<u>\$ 610,095</u>	<u>\$ 107,154</u>	<u>\$ 378,134</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ -	\$ -	\$ 147,038	\$ 22,381
Transfers (out)	-	-	(147,038)	(22,381)
Other long-term liability proceeds	-	-	-	307,303
Issuance of debt	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,303</u>
<b>Special Items:</b>				
Sale of shell building	\$ 660,000	\$ -	\$ -	\$ -
<b>Net changes in fund balances</b>	<u>\$ 358,374</u>	<u>\$ 610,095</u>	<u>\$ 107,154</u>	<u>\$ 685,437</u>
Fund balance, beginning	<u>5,793,759</u>	<u>6,274,734</u>	<u>6,884,829</u>	<u>6,991,983</u>
<b>Fund balance, ending</b>	<u>\$ 6,152,133</u>	<u>\$ 6,884,829</u>	<u>\$ 6,991,983</u>	<u>\$ 7,677,420</u>

Table 4

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	1,979,013	\$ 1,995,533	\$ 2,047,392	\$ 2,162,977	\$ 2,198,629	\$ 2,150,003
	1,285,877	1,297,749	1,325,078	1,319,767	1,346,196	1,316,552
	10,488	718	870	660	1,160	16,915
	24,882	11,035	10,933	9,747	14,942	28,577
	311,025	293,145	163,318	78,619	39,371	98,576
	22,705	31,516	35,867	38,614	24,193	5,867
	172,564	147,325	172,407	113,079	119,234	64,654
	808,547	820,474	1,026,344	1,258,475	2,016,179	1,412,204
\$	<u>4,615,101</u>	<u>\$ 4,597,495</u>	<u>\$ 4,782,209</u>	<u>\$ 4,981,938</u>	<u>\$ 5,759,904</u>	<u>\$ 5,093,348</u>
\$	912,491	\$ 862,765	\$ 843,025	\$ 873,090	\$ 798,637	\$ 942,180
	742,332	801,058	812,925	809,229	965,170	1,536,328
	1,199,129	1,469,131	1,310,206	1,100,745	1,092,989	1,816,541
	289,113	279,008	371,936	420,437	308,698	278,255
	953,788	291,182	368,475	1,047,267	1,806,852	595,155
	41,176	52,374	55,579	59,614	63,269	280,378
	21,697	29,404	26,199	23,157	19,501	11,978
\$	<u>4,159,726</u>	<u>\$ 3,784,922</u>	<u>\$ 3,788,345</u>	<u>\$ 4,333,539</u>	<u>\$ 5,055,116</u>	<u>\$ 5,460,815</u>
\$	<u>455,375</u>	<u>\$ 812,573</u>	<u>\$ 993,864</u>	<u>\$ 648,399</u>	<u>\$ 704,788</u>	<u>\$ (367,467)</u>
\$	23,622	\$ 172,683	\$ 17,080	\$ 45,947	\$ 16,045	\$ 577,419
	(23,622)	(627,776)	(723,300)	(109,151)	(443,145)	(620,819)
	-	-	-	-	-	-
	288,000	-	-	-	-	-
\$	<u>288,000</u>	<u>\$ (455,093)</u>	<u>\$ (706,220)</u>	<u>\$ (63,204)</u>	<u>\$ (427,100)</u>	<u>\$ (43,400)</u>
\$	<u>288,000</u>	<u>\$ -</u>				
\$	1,031,375	\$ 357,480	\$ 287,644	\$ 585,195	\$ 277,688	\$ (410,867)
	7,677,420	8,420,795	8,778,275	9,065,919	9,651,114	9,928,802
\$	<u>8,708,795</u>	<u>\$ 8,778,275</u>	<u>\$ 9,065,919</u>	<u>\$ 9,651,114</u>	<u>\$ 9,928,802</u>	<u>\$ 9,517,935</u>

TOWN OF ALTAVISTA, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating revenues:				
Charges for services	\$ 2,120,588	\$ 2,296,260	\$ 2,259,650	\$ 2,427,992
Other	27,847	36,932	15,136	44,311
Total revenues	<u>\$ 2,148,435</u>	<u>\$ 2,333,192</u>	<u>\$ 2,274,786</u>	<u>\$ 2,472,303</u>
Operating expenses:				
Salaries	\$ 517,307	\$ 516,878	\$ 531,779	\$ 565,553
Fringe benefits	115,438	138,983	141,492	172,321
Maintenance	114,112	69,344	40,683	118,922
Utilities	271,435	285,252	288,933	322,305
Materials and supplies	176,595	190,596	184,884	209,419
Sample testing	15,902	14,687	17,721	6,652
Purchase of water	68,516	60,868	70,693	75,059
Other	6,569	27,621	22,052	5,957
Depreciation	637,457	587,447	594,385	593,660
Amortization	-	683	683	683
Total expenditures	<u>\$ 1,923,331</u>	<u>\$ 1,892,359</u>	<u>\$ 1,893,305</u>	<u>\$ 2,070,531</u>
Operating income (loss)	<u>\$ 225,104</u>	<u>\$ 440,833</u>	<u>\$ 381,481</u>	<u>\$ 401,772</u>
Nonoperating revenues (expenses):				
Interest income	\$ 7,751	\$ 6,439	\$ 9,382	\$ 13,268
Interest expense	(176,294)	(114,555)	(103,729)	(92,567)
Sale of timber	-	-	145,944	-
Loss on disposal of capital assets	(10,175)	-	-	-
Environmental remediation	-	-	-	-
DEQ grant	-	-	-	19,200
Total nonoperating revenues (expenses)	<u>\$ (178,718)</u>	<u>\$ (108,116)</u>	<u>\$ 51,597</u>	<u>\$ (60,099)</u>
Income (loss) before transfers and special item	<u>\$ 46,386</u>	<u>\$ 332,717</u>	<u>\$ 433,078</u>	<u>\$ 341,673</u>
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Special Items:				
Environmental remediation	<u>\$ (500,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net changes in net assets	<u>\$ (453,614)</u>	<u>\$ 332,717</u>	<u>\$ 433,078</u>	<u>\$ 341,673</u>
Net assets, beginning	<u>10,443,401</u>	<u>9,989,788</u>	<u>10,322,505</u>	<u>10,755,583</u>
Net assets, ending	<u><u>\$ 9,989,787</u></u>	<u><u>\$ 10,322,505</u></u>	<u><u>\$ 10,755,583</u></u>	<u><u>\$ 11,097,256</u></u>

Table 5

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	2,524,577	\$ 2,484,361	\$ 2,448,060	\$ 2,357,531	\$ 2,436,783	\$ 2,473,022
	32,678	32,856	22,618	43,566	20,901	35,112
\$	<u>2,557,255</u>	<u>2,517,217</u>	<u>2,470,678</u>	<u>2,401,097</u>	<u>2,457,684</u>	<u>2,508,134</u>
\$	587,689	\$ 561,172	\$ 744,497	\$ 784,417	\$ 767,291	\$ 784,016
	205,490	197,047	222,494	226,524	243,451	247,986
	61,874	43,469	66,981	78,773	76,241	57,994
	330,723	412,723	490,447	389,940	400,263	434,211
	291,831	285,238	355,142	322,200	314,191	305,291
	14,670	19,764	19,509	13,889	12,111	16,581
	90,573	101,972	66,504	2,244	8,110	7,553
	14,039	26,463	13,748	13,434	36,468	96,733
	578,595	594,271	610,840	624,286	675,160	733,329
	963	1,801	1,802	4,064	4,064	54,122
\$	<u>2,176,447</u>	<u>2,243,920</u>	<u>2,591,964</u>	<u>2,459,771</u>	<u>2,537,350</u>	<u>2,737,816</u>
\$	<u>380,808</u>	<u>273,297</u>	<u>(121,286)</u>	<u>(58,674)</u>	<u>(79,666)</u>	<u>(229,682)</u>
\$	65,990	\$ 80,106	\$ 66,672	\$ 20,950	\$ 10,911	\$ 4,480
	(95,647)	(69,197)	(96,195)	(131,903)	(107,875)	(60,385)
	-	-	-	-	-	-
	-	-	-	-	-	-
	(250,000)	-	-	-	-	-
	191,148	-	-	-	-	27,292
\$	<u>(88,509)</u>	<u>10,909</u>	<u>(29,523)</u>	<u>(110,953)</u>	<u>(96,964)</u>	<u>(28,613)</u>
\$	<u>292,299</u>	<u>284,206</u>	<u>(150,809)</u>	<u>(169,627)</u>	<u>(176,630)</u>	<u>(258,295)</u>
\$	<u>-</u>	<u>455,093</u>	<u>706,220</u>	<u>73,161</u>	<u>427,100</u>	<u>43,400</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	292,299	\$ 739,299	\$ 555,411	\$ (96,466)	\$ 250,470	\$ (214,895)
	11,097,256	11,389,555	12,128,854	12,684,265	12,587,799	12,838,169
\$	<u>11,389,555</u>	<u>12,128,854</u>	<u>12,684,265</u>	<u>12,587,799</u>	<u>12,838,269</u>	<u>12,623,274</u>

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## Compliance

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Altavista, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town of Altavista, Virginia's basic financial statements and have issued our report thereon dated October 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. Finding 2012-01

## Compliance and Other Matters

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

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

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

*Robinson, Farnell, Cox Associates*  
Charlottesville, Virginia  
October 18, 2012

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## Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

### Compliance

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, 2012. Town of Altavista, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Altavista, Virginia's management. Our responsibility is to express an opinion on Town of Altavista, Virginia's compliance based on our audit.

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

In our opinion, Town of Altavista, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

**Internal Control Over Compliance: (Continued)**

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

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

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

October 18, 2012

**TOWN OF ALTAVISTA, VIRGINIA**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2012

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Primary Government:</b>			
Department of Housing and Urban Development:			
Pass through payments:			
Virginia Department of Housing and Community Development:			
Community Development Block Grant - State's Program	14.228	N/A	\$ <u>88,081</u>
Department of Justice:			
Pass Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10DJBX0311	\$ <u>6,442</u>
Department of Transportation:			
Pass through payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	EN06-162-190,P101,R201,C501	350,180
Virginia Department of Rail and Public Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	N/A	48,693
Virginia Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC1252198	2,480
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K81151218	<u>5,040</u>
Total Department of Transportation			\$ <u>406,393</u>
Total Expenditures of Federal Awards-Reporting Entity			\$ <u><u>500,916</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

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Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Altavista, Virginia under programs of the federal government for the year ended June 30, 2012. 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 the Town of Altavista, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the 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 \$ 500,916

Total primary government \$ 500,916

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards \$ 500,916

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
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 auditor's report issued on compliance for major programs:	Unqualified
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, 2012 (Continued)

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**Section II - Financial Statement Findings**

**2012-01: 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 - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**Section IV - Prior Year Audit Findings**

None