

TOWN OF PEARISBURG, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF PEARISBURG, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2015

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TOWN OF PEARISBURG, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

TOWN OF PEARISBURG, VIRGINIA

TOWN COUNCIL

Robert L. Dickerson, Mayor

Colin Munsey, Vice Mayor

Cathy Clark

Kristi Eaton

Judy R. Harrell

Mary D. "Susie" Journell

Jimmie R. Williams

OTHER OFFICIALS

Kenneth F. Vittum Town Manger/Treasurer
Regina Harless..... Town Clerk
Lorrie Mitchell..... Town Finance Director
James A. Hartley..... Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of Council
Town of Pearisburg, Virginia
Pearisburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearisburg, Virginia, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Town of Pearisburg, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Pearisburg, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2015, the Town of Pearisburg, Virginia adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the other budgetary comparison information and the schedules related to pension and OPEB funding on pages 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Town of Pearisburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pearisburg, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 18, 2015

BASIC FINANCIAL STATEMENTS

Town of Pearisburg, Virginia
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 660,791	\$ 759,017	\$ 1,419,808
Receivables (net of allowance for uncollectibles):			
Taxes receivable	111,894	-	111,894
Accounts receivable	42,751	189,722	232,473
Internal balances	175,743	(175,743)	-
Due from other governmental units	73,376	-	73,376
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	-	40,148	40,148
Capital assets (net of accumulated depreciation):			
Land	182,067	-	182,067
Buildings and improvements	2,798,461	-	2,798,461
Improvements other than buildings	1,563,249	-	1,563,249
Machinery and equipment	758,687	102,564	861,251
Infrastructure	-	5,227,410	5,227,410
Total assets	<u>\$ 6,367,019</u>	<u>\$ 6,143,118</u>	<u>\$ 12,510,137</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 144,482	\$ 31,352	\$ 175,834
LIABILITIES			
Accounts payable	\$ 25,096	\$ 47,901	\$ 72,997
Accrued liabilities	39,134	-	39,134
Customers' deposits	-	40,148	40,148
Accrued interest payable	17,601	9,681	27,282
Long-term liabilities:			
Due within one year	218,828	186,332	405,160
Due in more than one year	3,963,178	2,636,657	6,599,835
Total liabilities	<u>\$ 4,263,837</u>	<u>\$ 2,920,719</u>	<u>\$ 7,184,556</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes paid in advance	\$ 820	\$ -	\$ 820
Items related to measurement of net pension liability	265,834	57,685	323,519
Total deferred inflows of resources	<u>\$ 266,654</u>	<u>\$ 57,685</u>	<u>\$ 324,339</u>
NET POSITION			
Net investment in capital assets	\$ 2,606,464	\$ 2,735,787	\$ 5,342,251
Unrestricted	(625,454)	460,279	(165,175)
Total net position	<u>\$ 1,981,010</u>	<u>\$ 3,196,066</u>	<u>\$ 5,177,076</u>

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

Town of Pearisburg, Virginia
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 724,460	\$ 3,754	\$ -	\$ -	\$ (720,706)	\$ -	\$ (720,706)
Public safety	869,100	103,937	102,381	-	(662,782)	-	(662,782)
Public works	763,763	3,664	537,157	-	(222,942)	-	(222,942)
Parks, recreation, and cultural	515,997	31,437	50,780	45,252	(388,528)	-	(388,528)
Interest on long-term debt	72,034	-	-	-	(72,034)	-	(72,034)
Total governmental activities	\$ 2,945,354	\$ 142,792	\$ 690,318	\$ 45,252	\$ (2,066,992)	\$ -	\$ (2,066,992)
Business-type activities:							
Water	\$ 749,698	\$ 717,958	\$ -	\$ 5,815	\$ -	\$ (25,925)	\$ (25,925)
Sewer	487,903	492,513	-	3,000	-	7,610	7,610
Total business-type activities	\$ 1,237,601	\$ 1,210,471	\$ -	\$ 8,815	\$ -	\$ (18,315)	\$ (18,315)
Total primary government	\$ 4,182,955	\$ 1,353,263	\$ 690,318	\$ 54,067	\$ (2,066,992)	\$ (18,315)	\$ (2,085,307)
General revenues:							
General property taxes	\$ 794,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 794,983
Other local taxes:							
Local sales and use taxes	147,770	-	-	-	-	-	147,770
Consumers' utility taxes	56,851	-	-	-	-	-	56,851
Business license taxes	241,403	-	-	-	-	-	241,403
Consumption tax	12,607	-	-	-	-	-	12,607
Motor vehicle licenses	38,773	-	-	-	-	-	38,773
Bank stock tax	106,042	-	-	-	-	-	106,042
Restaurant food taxes	369,482	-	-	-	-	-	369,482
Other local taxes	10,813	-	-	-	-	-	10,813
Unrestricted revenues from use of money and property	13,293	-	-	-	480	-	13,773
Miscellaneous	71,469	-	-	-	-	-	71,469
Grants and contributions not restricted to specific programs	130,605	-	-	-	-	-	130,605
Total general revenues	\$ 1,994,091	\$ 480	\$ -	\$ -	\$ 480	\$ -	\$ 1,994,571
Change in net position	\$ (72,901)	\$ (17,835)	\$ -	\$ -	\$ (17,835)	\$ -	\$ (90,736)
Net position - beginning, as restated	2,053,911	3,213,901	-	-	3,213,901	-	5,267,812
Net position - ending	\$ 1,981,010	\$ 3,196,066	\$ -	\$ -	\$ 3,196,066	\$ -	\$ 5,177,076

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

Town of Pearisburg, Virginia
Balance Sheet
Governmental Fund
June 30, 2015

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 660,791
Receivables (net of allowance for uncollectibles):	
Taxes receivable	111,894
Accounts receivable	42,751
Due from other funds	175,743
Due from other governmental units	73,376
Total assets	<u>\$ 1,064,555</u>
LIABILITIES	
Accounts payable	\$ 25,096
Accrued liabilities	39,134
Total liabilities	<u>\$ 64,230</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 105,904
Unavailable revenue - prepaid taxes	820
Total deferred inflows of resources	<u>\$ 106,724</u>
FUND BALANCES	
Committed (See Note 13)	\$ 410,467
Unassigned	483,134
Total fund balance	<u>\$ 893,601</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,064,555</u>

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

Town of Pearisburg, Virginia
 Reconciliation of the Balance Sheet of Governmental Fund
 to the Statement of Net Position
 June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	893,601
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 182,067	
Buildings and improvements	2,798,461	
Infrastructure	1,563,249	
Machinery and equipment	758,687	5,302,464
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$ 105,904	
Items related to measurement of net pension liability	(265,834)	(159,930)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds		
		144,482
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$ (2,696,000)	
Accrued interest payable	(17,601)	
Accrued leave	(135,770)	
Net OPEB obligation	(372,378)	
Net pension liability	(977,858)	(4,199,607)
Net position of governmental activities	\$	1,981,010

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

Town of Pearisburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2015

	<u>General</u>
REVENUES	
General property taxes	\$ 779,195
Other local taxes	983,741
Permits, privilege fees, and regulatory licenses	2,405
Fines and forfeitures	53,397
Revenue from the use of money and property	13,293
Charges for services	86,990
Miscellaneous	71,469
Recovered costs	26,093
Intergovernmental revenues:	
Commonwealth	819,423
Federal	46,752
Total revenues	\$ 2,882,758
EXPENDITURES	
Current:	
General government administration	\$ 575,148
Public safety	814,490
Public works	631,531
Parks, recreation, and cultural	504,507
Capital projects	100,373
Debt service:	
Principal retirement	116,000
Interest and other fiscal charges	72,705
Total expenditures	\$ 2,814,754
Excess (deficiency) of revenues over (under) expenditures	\$ 68,004
Net change in fund balances	\$ 68,004
Fund balances - beginning	825,597
Fund balances - ending	\$ 893,601

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

Town of Pearisburg, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance of Governmental Fund
 to the Statement of Activities
 For the Year Ended June 30, 2015

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

Net change in fund balance - governmental fund	\$	68,004
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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 the capital outlays in the current period.

Capital outlays	\$ 52,318	
Depreciation expense	<u>(275,881)</u>	(223,563)

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

Property taxes	\$ 15,788	
Change in deferred inflows related to the measurement of the net pension liability	<u>(265,834)</u>	(250,046)

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments:		
General obligation bonds		116,000

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.

Change in compensated absences	\$ (10,569)	
Change in accrued interest payable	671	
Change in net OPEB obligation	(107,481)	
Change in net pension liability	305,791	
Change in deferred outflows related to pensions	<u>28,292</u>	216,704

Change in net position of governmental activities	\$	<u><u>(72,901)</u></u>
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The notes to the financial statements are an integral part of this statement

Town of Pearisburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Fund		Total
	Water	Sewer	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 532,578	\$ 226,439	\$ 759,017
Accounts receivable	101,852	87,870	189,722
Due from other funds	15,730	8,837	24,567
Total current assets	<u>\$ 650,160</u>	<u>\$ 323,146</u>	<u>\$ 973,306</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	\$ 40,148	\$ -	\$ 40,148
Total restricted assets	<u>\$ 40,148</u>	<u>\$ -</u>	<u>\$ 40,148</u>
Capital assets:			
Utility plant in service	\$ 2,781,465	\$ 5,619,409	\$ 8,400,874
Machinery and equipment	220,450	163,480	383,930
Accumulated depreciation	(996,954)	(2,457,876)	(3,454,830)
Total capital assets	<u>\$ 2,004,961</u>	<u>\$ 3,325,013</u>	<u>\$ 5,329,974</u>
Total noncurrent assets	<u>\$ 2,045,109</u>	<u>\$ 3,325,013</u>	<u>\$ 5,370,122</u>
Total assets	<u>\$ 2,695,269</u>	<u>\$ 3,648,159</u>	<u>\$ 6,343,428</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 16,736	\$ 14,616	\$ 31,352
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 29,906	\$ 17,995	\$ 47,901
Customers' deposits	40,148	-	40,148
Accrued interest payable	1,976	7,705	9,681
Due to other funds	115,109	85,201	200,310
Compensated absences - current portion	8,302	4,156	12,458
Bonds payable - current portion	33,009	53,378	86,387
Revenue bonds - current portion	-	54,597	54,597
Capital lease - current portion	32,890	-	32,890
Total current liabilities	<u>\$ 261,340</u>	<u>\$ 223,032</u>	<u>\$ 484,372</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 2,768	\$ 1,385	\$ 4,153
Bonds payable - net of current portion	1,737,811	110,107	1,847,918
Revenue bonds - net of current portion	-	572,395	572,395
Net pension liability	113,271	98,920	212,191
Total noncurrent liabilities	<u>\$ 1,853,850</u>	<u>\$ 782,807</u>	<u>\$ 2,636,657</u>
Total liabilities	<u>\$ 2,115,190</u>	<u>\$ 1,005,839</u>	<u>\$ 3,121,029</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 30,793	\$ 26,892	\$ 57,685
NET POSITION			
Net investment in capital assets	\$ 201,251	\$ 2,534,536	\$ 2,735,787
Unrestricted	364,771	95,508	460,279
Total net position	<u>\$ 566,022</u>	<u>\$ 2,630,044</u>	<u>\$ 3,196,066</u>

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

Town of Pearisburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Fund		Total
	Water	Sewer	
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 652,735	\$ -	\$ 652,735
Sewer revenues	-	492,513	492,513
Other revenues	65,223	-	65,223
Total operating revenues	<u>\$ 717,958</u>	<u>\$ 492,513</u>	<u>\$ 1,210,471</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 205,922	\$ 171,492	\$ 377,414
Utilities	42,826	41,095	83,921
Maintenance, repairs and operational supplies	73,369	85,969	159,338
Office expense	21,714	3,425	25,139
Insurance	13,628	13,222	26,850
Water purchases	283,792	-	283,792
Training	500	-	500
Miscellaneous	4,832	2,640	7,472
Depreciation	65,440	153,836	219,276
Total operating expenses	<u>\$ 712,023</u>	<u>\$ 471,679</u>	<u>\$ 1,183,702</u>
Operating income (loss)	<u>\$ 5,935</u>	<u>\$ 20,834</u>	<u>\$ 26,769</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ -	\$ 480	\$ 480
Interest expense	(37,675)	(16,224)	(53,899)
Total nonoperating revenues (expenses)	<u>\$ (37,675)</u>	<u>\$ (15,744)</u>	<u>\$ (53,419)</u>
Income before contributions and transfers	\$ (31,740)	\$ 5,090	\$ (26,650)
Capital contributions	5,815	3,000	8,815
Transfers in	47,708	-	47,708
Transfers out	-	(47,708)	(47,708)
Change in net position	<u>\$ 21,783</u>	<u>\$ (39,618)</u>	<u>\$ (17,835)</u>
Total net position - beginning, as restated	544,239	2,669,662	3,213,901
Total net position - ending	<u>\$ 566,022</u>	<u>\$ 2,630,044</u>	<u>\$ 3,196,066</u>

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

Town of Pearisburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Fund		Total
	Water	Sewer	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 725,715	\$ 505,497	\$ 1,231,212
Payments to suppliers	(440,317)	(135,611)	(575,928)
Payments to and for employees	(210,872)	(178,031)	(388,903)
Net cash provided by (used for) operating activities	<u>\$ 74,526</u>	<u>\$ 191,855</u>	<u>\$ 266,381</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ -	\$ (47,708)	\$ (47,708)
Transfers from other funds	47,708	-	47,708
Advances from other funds	9,553	8,427	17,980
Net cash provided by (used for) noncapital financing activities	<u>\$ 57,261</u>	<u>\$ (39,281)</u>	<u>\$ 17,980</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on bonds	\$ (32,355)	\$ (108,627)	\$ (140,982)
Principal payments on capital leases	(31,917)	-	(31,917)
Capital contributions	5,815	3,000	8,815
Interest payments	(37,745)	(17,196)	(54,941)
Net cash provided by (used for) capital and related financing activities	<u>\$ (96,202)</u>	<u>\$ (122,823)</u>	<u>\$ (219,025)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ -	\$ 480	\$ 480
Net cash provided by (used for) investing activities	<u>\$ -</u>	<u>\$ 480</u>	<u>\$ 480</u>
Net increase (decrease) in cash and cash equivalents	\$ 35,585	\$ 30,231	\$ 65,816
Cash and cash equivalents - beginning (including restricted of \$39,455)	\$ 537,141	\$ 196,208	\$ 733,349
Cash and cash equivalents - ending (including restricted of \$40,148)	<u>\$ 572,726</u>	<u>\$ 226,439</u>	<u>\$ 799,165</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 5,935	\$ 20,834	\$ 26,769
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 65,440	\$ 153,836	\$ 219,276
(Increase) decrease in accounts receivable	7,064	12,984	20,048
(Increase) decrease in deferred outflows of resources	(3,277)	(2,862)	(6,139)
Increase (decrease) in customer deposits	693	-	693
Increase (decrease) in accounts payable	344	10,740	11,084
Increase (decrease) in compensated absences	2,957	366	3,323
Increase (decrease) in net pension liability	(35,423)	(30,935)	(66,358)
Increase (decrease) in deferred inflows of resources	30,793	26,892	57,685
Total adjustments	<u>\$ 68,591</u>	<u>\$ 171,021</u>	<u>\$ 239,612</u>
Net cash provided by (used for) operating activities	<u>\$ 74,526</u>	<u>\$ 191,855</u>	<u>\$ 266,381</u>

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

TOWN OF PEARISBURG, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established by GAAP and used by the Town are discussed below.

A. Financial reporting entity:

The Town of Pearisburg, Virginia (the Town) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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.

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*.

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 funds. 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.

Note 1-Summary of Significant Accounting Policies: (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds. The general fund includes activity of the following funds: eastside cemetery fund, park fund, repair/replacement fund, adult day care fund, downtown grant, library expansion fund, fire truck fund, community center fund, and fire department fund. The Town maintains these funds separately in internal financial statements; however, for financial reporting purposes these funds are merged with the general fund.

The Town reports the following major proprietary funds:

Proprietary funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary funds consist of enterprise funds.

Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise funds consist of the water fund and the sewer fund.

Note 1-Summary of Significant Accounting Policies: (continued)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function 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.

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

Proprietary funds 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 Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:

1. Cash and Cash Equivalents

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

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on March 15th. Personal property taxes are due and collectible annually on March 15th. The Town bills and collects its own property taxes.

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$24,701 at June 30, 2015 and is comprised solely of property taxes. Historically, the Town's water and sewer funds have not had significant write offs of uncollectible accounts, therefore an allowance for uncollectible accounts is not necessary.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

4. Use of Estimates

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, equipment, and infrastructure of the Town are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

6. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

9. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned, as they are needed. The Town establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Town 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).

10. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

11. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

12. Net Position

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount (comprised of uncollected property taxes due prior to June 30 and amounts prepaid on taxes due the following December 5th) is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

14. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General Fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Deficit fund equity

At June 30, 2015, there were no funds with deficit fund equity.

Note 3-Deposits and Investments:

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the Code of Virginia . Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 3-Deposits and Investments: (continued)

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

At June 30, 2015 the Town had no investments.

Note 4-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Fund	Tranfers In	Transfers Out
Primary Government		
Water Fund	\$ 47,708	\$ -
Sewer Fund	-	(47,708)
Total	<u>\$ 47,708</u>	<u>\$ (47,708)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Interfund balances for the year ended June 30, 2015, consisted of the following:

Fund	Due To	Due From
Primary Government:		
General Fund	\$ 175,743	\$ -
Water Fund	15,730	(115,109)
Sewer Fund	8,837	(85,201)
Total	<u>\$ 200,310</u>	<u>\$ (200,310)</u>

This amount is comprised of various advances made to the Water and Sewer Funds over the past several years.

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Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>
<u>Local Government:</u>	
County of Giles, Virginia - sales tax	\$ 25,144
<u>Commonwealth of Virginia:</u>	
Noncategorical aid	7,372
<u>Federal Government:</u>	
Categorical aid	<u>40,860</u>
Total	<u>\$ 73,376</u>

Note 6-Long-term Obligations:

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the governmental activities for the year ended June 30, 2015:

	<u>Balance 7/1/2014, as restated</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2015</u>
Bonds Payable	\$ 2,812,000	\$ -	\$ (116,000)	\$ 2,696,000
Net OPEB Obligation	264,897	129,057	(21,576)	372,378
Compensated Absences	125,201	104,470	(93,901)	135,770
Net Pension Liability	<u>1,283,649</u>	<u>457,184</u>	<u>(762,975)</u>	<u>977,858</u>
Total	<u>\$ 4,485,747</u>	<u>\$ 690,711</u>	<u>\$ (994,452)</u>	<u>\$ 4,182,006</u>

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Note 6-Long-term Obligations: (continued)Governmental Activities Obligations: (continued)

Details of long-term obligations:

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Bonds Payable	
	Principal	Interest
2016	\$ 117,000	\$ 70,013
2017	122,000	67,285
2018	125,000	64,434
2019	129,000	61,566
2020	130,000	58,696
2021-2025	520,000	248,208
2026-2030	489,000	184,605
2031-2035	560,000	114,633
2036-2039	504,000	34,607
Totals	<u>\$ 2,696,000</u>	<u>\$ 904,047</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6-Long-term Obligations: (continued)

Governmental Activities Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable</u>		
\$585,000 General Obligation Refunding Bond, Series 2013A issued July 30, 2013 bearing interest at 2.10% annually. Principal and interest payments begin on October 1, 2013 and continue semi-annually for nine (9) years or until debt is satisfied.	\$ 436,000	\$ 76,000
\$2,331,000 General obligation refunding bond 2013B issued July 1, 2013 bearing interest at 2.71% until and including July 31, 2023. The interest rate on this bond will be adjusted on August 1, 2023 and on August 1 of every fifth year thereafter to a rate per annum equal to the U.S. Treasury Securities Rate then in effect plus 1.25%; provided, however, that the interest rate on this Bond shall not be less than 2.43% per annum nor greater than 4.00% per annum. Principal and interest payments are due semi-annually until April 1, 2039.	 <u>2,260,000</u>	 <u>41,000</u>
Total Bonds Payable	<u>\$ 2,696,000</u>	<u>\$ 117,000</u>
<u>Other Obligations</u>		
Net OPEB Obligation	\$ 372,378	\$ -
Compensated Absences	135,770	101,828
Net Pension Liability	<u>977,858</u>	<u>-</u>
Total Other Obligations	<u>\$ 1,486,006</u>	<u>\$ 101,828</u>
Total Long-term Obligations	<u>\$ 4,182,006</u>	<u>\$ 218,828</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6-Long-term Obligations: (continued)

Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Funds for the year ended June 30, 2015:

	Balance 7/1/2014, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
Revenue bond	\$ 682,785	\$ -	\$ (55,793)	\$ 626,992
Bonds payable	2,019,494	-	(85,189)	1,934,305
Capital leases (Note 7)	64,807	-	(31,917)	32,890
Compensated absences	13,288	13,289	(9,966)	16,611
Net pension liability	278,549	99,207	(165,565)	212,191
Total	\$ 3,058,923	\$ 112,496	\$ (348,430)	\$ 2,822,989

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Bonds Payable		Revenue Bond	
	Principal	Interest	Principal	Interest
2016	\$ 86,387	\$ 39,668	\$ 54,597	\$ 19,126
2017	88,667	37,389	56,303	17,421
2018	89,471	35,047	58,062	15,662
2019	35,049	33,075	59,876	13,848
2020	35,756	32,368	61,746	11,977
2021-2025	189,901	150,719	336,408	28,965
2026-2030	209,856	130,764	-	-
2031-2035	231,907	108,713	-	-
2036-2040	256,276	84,344	-	-
2041-2045	283,205	57,415	-	-
2046-2050	312,963	27,656	-	-
2051-2052	114,867	2,075	-	-
Totals	\$ 1,934,305	\$ 739,233	\$ 626,992	\$ 106,999

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Note 6-Long-term Obligations: (continued)Business-type Activities Obligations: (continued)Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$922,939 general obligation bond bearing interest at 3.0% issued in December 1996 due in semi-annual installments of \$31,430 including principal and interest through April 2018.	\$ 163,485	\$ 53,378
\$1,843,000 Water and Sewer Facilities Bond, Series 2012A bearing interest at 2.0% annually. Principal and interest payments of \$5,677 are due monthly through April 10, 2052.	<u>1,770,820</u>	<u>33,009</u>
Total Bonds Payable	<u>\$ 1,934,305</u>	<u>\$ 86,387</u>
<u>Revenue Bond:</u>		
\$959,425 revenue bond bearing interest at 3.1% issued May 28, 2004 due in semi-annual installments of \$37,795 including principal and interest beginning March 1, 2006 through September 1, 2025.	<u>\$ 626,992</u>	<u>\$ 54,597</u>
<u>Other Obligations:</u>		
Capital leases (see Note 7)	\$ 32,890	\$ 32,890
Compensated absences	16,611	12,458
Net pension liability	<u>212,191</u>	<u>-</u>
Total Other Obligations	<u>\$ 261,692</u>	<u>\$ 45,348</u>
Total Long-term Obligations	<u>\$ 2,822,989</u>	<u>\$ 186,332</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7-Capital Leases:

Business-type activities:

The Town has entered into lease agreements for the acquisition of numerous radio read meters. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases were (individually) below the Town's capitalization threshold and, therefore, are not shown on the books as capital assets.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2015, were as follows:

<u>Fiscal Year Ended</u>	<u>Business-type Activities</u>
2016	<u>\$ 33,893</u>
Total minimum lease payments	\$ 33,893
Less: amount representing interest	(1,003)
Present value of minimum lease payments	<u>\$ 32,890</u>

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Note 8- Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Continued)	About Plan 2 (Continued)	About the Hybrid Retirement Plan (Continued) <ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Note 8-Pension Plan: (continued)

Plan Description (continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	22
Inactive members:	
Vested inactive members	1
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>11</u>
Total inactive members	15
Active members	<u>33</u>
Total covered employees	<u><u>70</u></u>

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Note 8-Pension Plan: (continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 13.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$175,834 and \$141,403 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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Note 8-Pension Plan: (continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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Note 8-Pension Plan: (continued)

Actuarial Assumptions – General Employees (continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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Note 8-Pension Plan: (continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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Note 8-Pension Plan: (continued)

Actuarial Assumptions – Public Safety Employees (continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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Note 8-Pension Plan: (continued)*Long-term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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Note 8-Pension Plan: (continued)*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 6,213,349	\$ 4,651,151	\$ 1,562,198
Changes for the year:			
Service cost	\$ 127,513	\$ -	\$ 127,513
Interest	424,924	-	424,924
Contributions - employer	-	141,403	(141,403)
Contributions - employee	-	60,210	(60,210)
Net investment income	-	726,889	(726,889)
Benefit payments, including refunds of employees contributions	(286,015)	(286,015)	-
Administrative expenses	-	(3,954)	3,954
Other changes	-	38	(38)
Net changes	\$ 266,422	\$ 638,571	\$ (372,149)
Balances at June 30, 2014	\$ 6,479,771	\$ 5,289,722	\$ 1,190,049

Note 8-Pension Plan: (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Town Net Pension Liability	\$ 2,084,115	\$ 1,190,049	\$ 453,380

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$92,773. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 323,519
Employer contributions subsequent to the measurement date	175,834	-
Total	\$ 175,834	\$ 323,519

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Note 8-Pension Plan: (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$175,834 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2016	\$	(80,880)
2017		(80,880)
2018		(80,880)
2019		(80,879)
Thereafter		-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 182,067	\$ -	\$ -	\$ 182,067
Total capital assets not being depreciated	<u>\$ 182,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,067</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,034,839	\$ -	\$ -	\$ 4,034,839
Improvements other than buildings	1,862,703	-	-	1,862,703
Machinery and equipment	1,987,171	52,318	-	2,039,489
Total capital assets being depreciated	<u>\$ 7,884,713</u>	<u>\$ 52,318</u>	<u>\$ -</u>	<u>\$ 7,937,031</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,122,023)	\$ (114,355)	\$ -	\$ (1,236,378)
Improvements other than buildings	(224,946)	(74,508)	-	(299,454)
Machinery and equipment	(1,193,784)	(87,018)	-	(1,280,802)
Total accumulated depreciation	<u>\$ (2,540,753)</u>	<u>\$ (275,881)</u>	<u>\$ -</u>	<u>\$ (2,816,634)</u>
Total capital assets being depreciated, net	<u>\$ 5,343,960</u>	<u>\$ (223,563)</u>	<u>\$ -</u>	<u>\$ 5,120,397</u>
Governmental activities capital assets, net	<u>\$ 5,526,027</u>	<u>\$ (223,563)</u>	<u>\$ -</u>	<u>\$ 5,302,464</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9-Capital Assets: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Utility plant and equipment	\$ 8,400,874	\$ -	\$ -	\$ 8,400,874
Machinery and equipment	383,930	-	-	383,930
Total capital assets being depreciated	<u>\$ 8,784,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,784,804</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (2,970,851)	\$ (202,613)	\$ -	\$ (3,173,464)
Machinery and equipment	(264,703)	(16,663)	-	(281,366)
Total accumulated depreciation	<u>\$ (3,235,554)</u>	<u>\$ (219,276)</u>	<u>\$ -</u>	<u>\$ (3,454,830)</u>
Total capital assets being depreciated, net	<u>\$ 5,549,250</u>	<u>\$ (219,276)</u>	<u>\$ -</u>	<u>\$ 5,329,974</u>
Business-type activities capital assets, net	<u>\$ 5,549,250</u>	<u>\$ (219,276)</u>	<u>\$ -</u>	<u>\$ 5,329,974</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General government administration	\$ 40,383
Public safety	125,548
Public works	90,606
Parks, recreation, and cultural	<u>19,344</u>
Total depreciation expense - governmental activities	<u>\$ 275,881</u>
Business-type activities:	
Water	\$ 65,440
Sewer	<u>153,836</u>
Total depreciation expense - business-type activities	<u>\$ 219,276</u>

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Note 10-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of property, general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11-Other Postemployment Benefits – Health Insurance:

A. Plan Description

The Town allows retirees to participate in health insurance programs that are offered. To participate, a retiree must have reached age 50 and completed at least 10 years of full-time service. Retirees are required to contribute 100% of their health insurance premiums to the Town. The retirees' health insurance rates are not age adjusted; rather the retirees pay the same premium as active employees.

B. Funding Policy

The contribution requirements of the Town and the plan members are established and may be amended by the Town. The Town currently pays for post-retirement health care benefits on a pay-as-you-go basis. Retirees are responsible for the payment of 100% of the health care insurance rates shown below:

<u>Participants</u>	<u>Monthly Premium</u>
Employee	\$ 523.00
Employee / Spouse	968.00
Family	1,412.00

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Note 11-Other Postemployment Benefits – Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The Town is required to compute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and the change in the net OPEB obligation:

Annual required contribution	\$ 127,291
Interest on net OPEB obligation	10,596
Adjustment to annual required contribution	<u>(8,830)</u>
Annual OPEB cost (expense)	\$ 129,057
Contributions made	<u>(21,576)</u>
Increase in net OPEB obligation	\$ 107,481
Net OPEB obligation - beginning of year	264,897
Net OPEB obligation - ending of year	<u>\$ 372,378</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 129,057	17%	\$ 372,378
6/30/2014	128,345	17%	264,897
6/30/2013	60,634	56%	158,128

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2014, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,153,987
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,153,987
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 1,208,890
UAAL as a percentage of covered payroll	95.46%

Note 11-Other Postemployment Benefits – Health Insurance: (continued)

D. Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and inflation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2014 actuarial valuation, the entry age actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility.

The actuarial assumptions for the Town include:

	<u>Assumptions</u>
Amortization period	30 years
Investment rate of return	4%
Payroll growth	3.75%
Age adjustment factor	2.094552
Health Contribution rate	4.2% graded to 5.6% over ten years

The UAAL is being amortized as a level percentage of payroll over the remaining amortization period, which at June 30, 2014, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 12-Surety Bonds:

Selective Insurance

All employees-Blanket Bond	\$	5,000
Position Bonds:		
Treasurer and/or Town Clerk		100,000
Town Manager		100,000
Mayor		100,000
Engineer		100,000

Note 13-Committed Funds:

<i>Committed Funds</i>	<i>Balance</i>
Library Donation Fund	\$ 21,309
Downtown Grant Fund	300
Fire Truck Fund	62,552
Community Center Fund	4,276
Fire Department Building Fund	322,030
	<hr/>
Total	\$ 410,467

Note 14-Unearned and Deferred/ Unavailable Revenue:

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Unavailable Property Tax Revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$105,904 at June 30, 2015.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$820.

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Note 15-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities	
		Water	Sewer
Net Position, July 1, 2014, as previously stated	\$ 3,221,370	\$ 679,474	\$ 2,787,763
Net pension liability	(1,283,649)	(148,694)	(129,855)
Deferred outflow	116,190	13,459	11,754
Net Position, July 1, 2014, as restated	<u>\$ 2,053,911</u>	<u>\$ 544,239</u>	<u>\$ 2,669,662</u>

Note 16-Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Note 16-Upcoming Pronouncements: (continued)

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Pearisburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 757,800	\$ 757,800	\$ 779,195	\$ 21,395
Other local taxes	937,600	937,600	983,741	46,141
Permits, privilege fees, and regulatory licenses	9,000	9,000	2,405	(6,595)
Fines and forfeitures	54,050	54,050	53,397	(653)
Revenue from the use of money and property	12,200	12,200	13,293	1,093
Charges for services	120,700	120,700	86,990	(33,710)
Miscellaneous	44,945	50,945	71,469	20,524
Recovered costs	26,750	26,750	26,093	(657)
Intergovernmental revenues:				
Commonwealth	815,682	815,682	819,423	3,741
Federal	-	61,500	46,752	(14,748)
Total revenues	\$ 2,778,727	\$ 2,846,227	\$ 2,882,758	\$ 36,531
EXPENDITURES				
Current:				
General government administration	\$ 527,279	\$ 592,029	\$ 575,148	\$ 16,881
Public safety	848,762	858,012	814,490	43,522
Public works	646,508	646,508	631,531	14,977
Parks, recreation, and cultural	548,548	552,648	504,507	48,141
Capital projects	153,570	163,770	100,373	63,397
Debt service:				
Principal retirement	115,985	115,985	116,000	(15)
Interest and other fiscal charges	72,705	72,705	72,705	-
Total expenditures	\$ 2,913,357	\$ 3,001,657	\$ 2,814,754	\$ 186,903
Excess (deficiency) of revenues over (under) expenditures	\$ (134,630)	\$ (155,430)	\$ 68,004	\$ 223,434
Net change in fund balance	\$ (134,630)	\$ (155,430)	\$ 68,004	\$ 223,434
Fund balance - beginning	140,665	140,665	825,597	684,932
Fund balance - ending	\$ 6,035	\$ (14,765)	\$ 893,601	\$ 908,366

Town of Pearisburg, Virginia
 Schedule of OPEB Funding Progress
 For the Year Ended June 30, 2015

Town OPEB Healthcare Plan*:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (6) (7)
6/30/2014	\$ -	\$ 1,153,987	\$ 1,153,987	-	\$ 1,208,890	95.46%
6/30/2010	-	818,047	818,047	-	1,063,854	76.89%

*Only two valuations available

Town of Pearisburg, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 127,513
Interest	424,924
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(286,015)
Net change in total pension liability	\$ 266,422
Total pension liability - beginning	6,213,349
Total pension liability - ending (a)	\$ 6,479,771
Plan fiduciary net position	
Contributions - employer	\$ 141,403
Contributions - employee	60,210
Net investment income	726,889
Benefit payments, including refunds of employee contributions	(286,015)
Administrative expense	(3,954)
Other	38
Net change in plan fiduciary net position	\$ 638,571
Plan fiduciary net position - beginning	4,651,151
Plan fiduciary net position - ending (b)	\$ 5,289,722
Town's net pension liability - ending (a) - (b)	\$ 1,190,049
Plan fiduciary net position as a percentage of the total pension liability	81.63%
Covered-employee payroll (2015 fiscal year)	1,318,065
Town's net pension liability as a percentage of covered-employee payroll	90.29%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Town of Pearisburg, Virginia
 Schedule of Employer Contributions
 For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 175,834	\$ 175,834	\$ -	\$ 1,318,065	13.37%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Town of Pearisburg, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

SUPPORTING SCHEDULES

Town of Pearisburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 569,000	\$ 569,000	\$ 581,573	\$ 12,573
Personal property taxes	180,000	180,000	189,890	9,890
Penalties and Interest	8,800	8,800	7,732	(1,068)
Total general property taxes	<u>\$ 757,800</u>	<u>\$ 757,800</u>	<u>\$ 779,195</u>	<u>\$ 21,395</u>
Other local taxes:				
Local sales and use taxes	\$ 132,000	\$ 132,000	\$ 147,770	\$ 15,770
Consumers' utility taxes	58,500	58,500	56,851	(1,649)
Business license taxes	251,000	251,000	241,403	(9,597)
Consumption taxes	13,000	13,000	12,607	(393)
Motor vehicle licenses	36,600	36,600	38,773	2,173
Bank stock taxes	92,000	92,000	106,042	14,042
Hotel and motel room taxes	9,500	9,500	10,813	1,313
Restaurant food taxes	345,000	345,000	369,482	24,482
Total other local taxes	<u>\$ 937,600</u>	<u>\$ 937,600</u>	<u>\$ 983,741</u>	<u>\$ 46,141</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 9,000	\$ 9,000	\$ 2,405	\$ (6,595)
Total permits, privilege fees, and regulatory licenses	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 2,405</u>	<u>\$ (6,595)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 50,000	\$ 50,000	\$ 49,117	\$ (883)
Parking fines	1,250	1,250	1,900	650
Fines and fees	2,800	2,800	2,380	(420)
Total fines and forfeitures	<u>\$ 54,050</u>	<u>\$ 54,050</u>	<u>\$ 53,397</u>	<u>\$ (653)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 5,700	\$ 5,700	\$ 5,878	\$ 178
Revenue from use of property	6,500	6,500	7,415	915
Total revenue from use of money and property	<u>\$ 12,200</u>	<u>\$ 12,200</u>	<u>\$ 13,293</u>	<u>\$ 1,093</u>
Charges for services:				
Use of copy machine	\$ 3,600	\$ 3,600	\$ 3,754	\$ 154
Use of public right of way	12,750	12,750	3,664	(9,086)
Fire assessment fee	48,000	48,000	48,135	135
Swimming pool	31,600	31,600	20,683	(10,917)
Concessions	21,500	21,500	7,511	(13,989)
Charges for parks and recreation	2,950	2,950	2,865	(85)
Charges for library	300	300	378	78
Total charges for services	<u>\$ 120,700</u>	<u>\$ 120,700</u>	<u>\$ 86,990</u>	<u>\$ (33,710)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 10,401	\$ 16,401	\$ 37,983	\$ 21,582
Grants and contributions	34,544	34,544	33,486	(1,058)
Total miscellaneous revenue	<u>\$ 44,945</u>	<u>\$ 50,945</u>	<u>\$ 71,469</u>	<u>\$ 20,524</u>

Town of Pearisburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
County of Giles - recreation	\$ 1,750	\$ 1,750	\$ 1,750	\$ -
VML insurance settlement	10,000	10,000	9,343	(657)
County of Giles - fire assessment	15,000	15,000	15,000	-
Total recovered costs	<u>\$ 26,750</u>	<u>\$ 26,750</u>	<u>\$ 26,093</u>	<u>\$ (657)</u>
Total revenue from local sources	<u>\$ 1,963,045</u>	<u>\$ 1,969,045</u>	<u>\$ 2,016,583</u>	<u>\$ 47,538</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,600	\$ 2,600	\$ 708	\$ (1,892)
Motor vehicle rental tax	15,000	15,000	13,103	(1,897)
Communications taxes	26,000	26,000	24,599	(1,401)
Personal property tax relief funds	92,197	92,197	92,195	(2)
Total noncategorical aid	<u>\$ 135,797</u>	<u>\$ 135,797</u>	<u>\$ 130,605</u>	<u>\$ (5,192)</u>
Categorical aid:				
Police block grant	\$ 86,932	\$ 86,932	\$ 78,765	\$ (8,167)
Library funds	45,657	45,657	45,780	123
Litter control grant	1,640	1,640	1,638	(2)
Fire programs	11,652	11,652	14,408	2,756
Street maintenance	462,804	462,804	475,519	12,715
VDOT revenue sharing	60,000	60,000	60,000	-
Asset forfeiture funds	200	200	-	(200)
Local law enforcement block grants	-	-	1,937	1,937
Safe routes to schools	6,000	6,000	5,771	(229)
Arts grant	5,000	5,000	5,000	-
Total other categorical aid	<u>\$ 679,885</u>	<u>\$ 679,885</u>	<u>\$ 688,818</u>	<u>\$ 8,933</u>
Total categorical aid	<u>\$ 679,885</u>	<u>\$ 679,885</u>	<u>\$ 688,818</u>	<u>\$ 8,933</u>
Total revenue from the Commonwealth	<u>\$ 815,682</u>	<u>\$ 815,682</u>	<u>\$ 819,423</u>	<u>\$ 3,741</u>
Revenue from the federal government:				
Categorical aid:				
Fire Grant	\$ -	\$ 1,500	\$ 1,500	\$ -
Farm Grant	-	60,000	45,252	(14,748)
Total categorical aid	<u>\$ -</u>	<u>\$ 61,500</u>	<u>\$ 46,752</u>	<u>\$ (14,748)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 61,500</u>	<u>\$ 46,752</u>	<u>\$ (14,748)</u>
Total General Fund	<u><u>\$ 2,778,727</u></u>	<u><u>\$ 2,846,227</u></u>	<u><u>\$ 2,882,758</u></u>	<u><u>\$ 36,531</u></u>

Town of Pearisburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2015

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Legislative	\$ 89,247	\$ 152,747	\$ 139,390	\$ 13,357
General and financial administration:				
Administrative	\$ 414,682	\$ 415,932	\$ 414,928	\$ 1,004
Legal services	23,350	23,350	20,830	2,520
Total general and financial administration	<u>\$ 438,032</u>	<u>\$ 439,282</u>	<u>\$ 435,758</u>	<u>\$ 3,524</u>
Total general government administration	<u>\$ 527,279</u>	<u>\$ 592,029</u>	<u>\$ 575,148</u>	<u>\$ 16,881</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 653,583	\$ 653,583	\$ 649,374	\$ 4,209
Fire and rescue services:				
Fire department	\$ 121,050	\$ 130,300	\$ 92,934	\$ 37,366
Inspections:				
Building	\$ 74,129	\$ 74,129	\$ 72,182	\$ 1,947
Total public safety	<u>\$ 848,762</u>	<u>\$ 858,012</u>	<u>\$ 814,490</u>	<u>\$ 43,522</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 464,359	\$ 464,359	\$ 446,253	\$ 18,106
Administration	54,553	54,553	54,391	162
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 518,912</u>	<u>\$ 518,912</u>	<u>\$ 500,644</u>	<u>\$ 18,268</u>
Maintenance of general buildings and grounds:				
General properties	\$ 50,537	\$ 50,537	\$ 50,612	\$ (75)
Equipment operations	77,059	77,059	80,275	(3,216)
Total maintenance of general buildings and grounds	<u>\$ 127,596</u>	<u>\$ 127,596</u>	<u>\$ 130,887</u>	<u>\$ (3,291)</u>
Total public works	<u>\$ 646,508</u>	<u>\$ 646,508</u>	<u>\$ 631,531</u>	<u>\$ 14,977</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 155,690	\$ 158,690	\$ 145,703	\$ 12,987
Cultural enrichment:				
Community center	\$ 125,172	\$ 125,172	\$ 95,089	\$ 30,083
Library:				
Municipal library	\$ 267,686	\$ 268,786	\$ 263,715	\$ 5,071
Total parks, recreation, and cultural	<u>\$ 548,548</u>	<u>\$ 552,648</u>	<u>\$ 504,507</u>	<u>\$ 48,141</u>

Town of Pearisburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2015

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Paving projects	\$ 120,000	\$ 120,000	\$ 61,830	\$ 58,170
Other capital projects/outlays	33,570	43,770	38,543	5,227
Total capital projects	<u>\$ 153,570</u>	<u>\$ 163,770</u>	<u>\$ 100,373</u>	<u>\$ 63,397</u>
Debt service:				
Principal retirement	\$ 115,985	\$ 115,985	\$ 116,000	\$ (15)
Interest and other fiscal charges	72,705	72,705	72,705	-
Total debt service	<u>\$ 188,690</u>	<u>\$ 188,690</u>	<u>\$ 188,705</u>	<u>\$ (15)</u>
Total General Fund	<u><u>\$ 2,913,357</u></u>	<u><u>\$ 3,001,657</u></u>	<u><u>\$ 2,814,754</u></u>	<u><u>\$ 186,903</u></u>

STATISTICAL INFORMATION

Town of Pearisburg, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Water	Sewer	Total
2005-06	\$ 453,924	\$ -	\$ 587,983	\$ 627,112	\$ 391,453	\$ 56,515	\$ 39,609	\$ 637,499	\$ 426,623	\$ 3,220,718
2006-07	492,338	3,278	599,289	699,539	432,660	104,017	18,346	547,416	414,764	3,311,647
2007-08	441,035	-	609,946	681,412	552,588	467,720	33,155	674,962	404,614	3,865,432
2008-09	465,405	-	219,846	650,607	441,188	145,902	33,517	666,301	434,442	3,057,208
2009-10	517,968	-	680,993	591,225	477,268	4,770	39,042	685,506	417,861	3,414,633
2010-11	549,377	-	635,867	491,509	485,153	249,112	36,026	957,682	425,960	3,830,686
2011-12	534,263	-	756,537	657,984	449,127	30,461	58,380	704,148	417,653	3,608,553
2012-13	559,957	-	793,064	847,786	477,905	8,502	112,448	803,130	449,432	4,052,224
2013-14	629,447	-	886,224	795,867	522,866	-	127,602	730,782	440,803	4,133,591
2014-15	724,460	-	889,100	763,763	515,997	-	72,034	749,698	487,903	4,182,955

Table 2

Town of Pearisburg, Virginia
 Government-wide Revenues
 Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2005-06	\$ 1,228,347	\$ 642,068	\$ 177,732	\$	\$ 527,674	\$ 758,584	\$ 31,944	\$ 67,947	\$ 92,373	\$ 3,526,669	
2006-07	1,142,286	569,393	595,507		555,271	770,631	29,893	73,225	96,927	3,833,133	
2007-08	1,330,458	1,039,566	-		575,930	786,173	27,331	77,374	101,669	3,938,501	
2008-09	1,311,793	619,838	167,799		567,885	836,621	22,369	71,189	102,821	3,700,315	
2009-10	1,352,053	555,720	1,230,214		561,893	843,763	18,403	75,137	102,213	4,739,396	
2010-11	1,321,388	651,739	240,306		627,183	892,302	13,836	137,599	103,136	3,987,489	
2011-12	1,327,840	655,112	33,941		639,809	912,040	17,026	95,922	99,808	3,781,498	
2012-13	1,286,648	673,619	8,244		673,805	913,770	19,558	89,360	137,640	3,802,644	
2013-14	1,452,329	620,227	8,929		761,614	948,984	10,711	96,317	137,329	4,036,440	
2014-15	1,353,263	690,318	54,067		794,983	983,741	13,773	71,469	130,605	4,092,219	

Town of Pearisburg, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2005-06	\$ 404,614	\$ 552,442	\$ 656,958	\$ 437,943	\$ 87,224	\$ 23,650	\$ 106,461	\$ 2,269,292
2006-07	500,741	618,056	1,068,703	464,226	190,484	24,562	88,348	2,955,120
2007-08	438,334	654,790	696,582	536,836	467,720	-	106,461	2,900,723
2008-09	433,273	1,091,493	792,635	569,934	145,902	-	92,758	3,125,995
2009-10	446,410	1,227,400	551,677	454,727	4,770	-	127,055	2,812,039
2010-11	441,788	698,127	562,792	471,613	-	-	127,055	2,301,375
2011-12	451,380	728,096	524,063	441,738	-	-	127,055	2,272,332
2012-13	506,006	783,578	680,362	472,686	-	-	164,588	2,607,220
2013-14	503,272	785,785	622,367	499,908	-	-	326,569	2,737,901
2014-15	575,148	814,490	631,531	504,507	-	-	188,705	2,714,381

(1) Amounts exclusive of capital projects.

Table 4

Town of Pearisburg, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2005-06	\$ 528,459	\$ 758,584	\$ 6,213	\$ 69,410	\$ 24,945	\$ 118,718	\$ 67,947	\$ 84,480	\$ 910,173	\$ 2,568,929
2006-07	551,126	770,631	6,456	65,610	22,989	115,615	73,225	179,402	1,242,952	3,028,006
2007-08	575,638	786,173	7,063	45,550	21,832	133,150	99,426	59,112	1,141,235	2,869,179
2008-09	558,128	836,621	21,361	32,596	19,029	124,421	70,365	436,762	845,392	2,944,675
2009-10	563,053	843,763	8,944	40,507	13,838	121,675	74,586	23,990	1,474,985	3,165,341
2010-11	626,456	892,302	10,660	41,834	11,585	118,452	137,599	27,672	978,817	2,845,377
2011-12	625,803	912,040	2,888	49,717	14,394	120,217	98,188	30,170	772,170	2,625,587
2012-13	648,560	913,770	10,521	49,713	17,316	112,192	89,360	61,487	811,259	2,714,178
2013-14	760,664	948,984	5,607	45,564	9,754	102,630	118,817	26,909	757,556	2,776,485
2014-15	779,195	983,741	2,405	53,397	13,293	86,990	71,469	26,093	866,175	2,882,758

Table 5

Town of Pearisburg, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2) (3)	Percent of Delinquent Taxes to Tax Levy
2005-06	\$ 616,371	\$ 581,187	94.29%	\$ 24,754	\$ 605,941	98.31%	\$ 43,720	7.09%
2006-07	548,227	524,732	95.71%	17,222	541,954	98.86%	58,295	10.63%
2007-08	565,465	543,362	96.09%	25,695	569,057	100.64%	40,968	7.25%
2008-09	564,547	537,439	95.20%	13,589	551,028	97.61%	55,646	9.86%
2009-10	571,979	533,593	93.29%	23,856	557,449	97.46%	53,079	9.28%
2010-11	628,636	596,671	94.92%	25,428	622,099	98.96%	55,727	8.86%
2011-12	641,076	605,490	94.45%	17,217	622,707	97.13%	63,921	9.97%
2012-13	662,512	628,064	94.80%	11,919	639,983	96.60%	93,163	14.06%
2013-14	768,317	725,816	94.47%	26,136	751,952	97.87%	94,125	12.25%
2014-15	788,270	739,193	93.77%	32,270	771,463	97.87%	111,894	14.19%

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Delinquent taxes are exclusive of penalties and interest and do not include amounts due under the State's personal property tax relief program.

(3) Net of an allowance for doubtful accounts.

Table 6

Town of Pearisburg, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Machinery and Tools	Public Utility	Total
2005-06	\$ 134,272,800	\$ 22,528,723	\$ 381,154	\$ 5,824,971	\$ 163,007,648
2006-07	141,796,200	24,170,079	381,154	4,966,915	171,314,348
2007-08	143,463,900	23,313,107	2,197,682	4,632,913	173,607,602
2008-09	143,141,200	24,055,455	2,462,724	4,664,449	174,323,828
2009-10	178,542,700	21,738,899	3,153,394	6,036,350	209,471,343
2010-11	176,294,200	23,943,622	3,283,936	6,032,141	209,553,899
2011-12	176,846,600	24,616,274	3,187,800	5,727,868	210,378,542
2012-13	177,220,300	26,099,321	4,799,641	5,961,684	214,080,946
2013-14	178,144,100	26,797,085	4,687,444	5,705,760	215,334,389
2014-15	181,027,500	27,421,978	5,028,804	5,681,822	219,160,104

Town of Pearisburg, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property
2005-06	\$ 0.29	\$ 0.29	0.938
2006-07	0.29	0.29	0.938
2007-08	0.29	0.29	0.938
2008-09	0.29	0.29	0.938
2009-10	0.24	0.24	0.938
2010-11	0.27	0.27	0.938
2011-12	0.27	0.27	0.938
2012-13	0.27	0.27	0.938
2013-14	0.31	0.31	0.938
2014-15	0.31	0.31	0.938

(1) Per \$100 of assessed value.

Table 8

Town of Pearisburg, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2005-06	2,752	\$ 163,008	\$ 2,541,722	1.56%	\$ 924
2006-07	2,764	171,314	2,386,235	1.39%	863
2007-08	2,766	173,608	2,178,197	1.25%	787
2008-09	2,766	174,324	2,302,558	1.32%	832
2009-10	2,761	209,471	2,041,137	0.97%	739
2010-11	2,786	209,554	1,889,648	0.90%	678
2011-12	2,761	210,379	4,074,935	1.94%	1,476
2012-13	2,721	214,081	5,386,131	2.52%	1,979
2013-14	2,727	215,334	5,514,280	2.56%	2,022
2014-15	2,727	219,160	5,257,297	2.40%	1,928

(1) Weldon Cooper Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt and bonded anticipation notes.

Excludes capital leases, compensated absences, net OPEB obligation, and net pension liability.

Table 9

Town of Pearisburg, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2005-06	\$ 64,884	\$ 41,577	\$ 106,461	\$ 2,269,292	4.69%
2006-07	68,551	19,797	88,348	2,955,120	2.99%
2007-08	71,925	34,536	106,461	2,900,723	3.67%
2008-09	58,818	33,940	92,758	3,125,995	2.97%
2009-10	86,743	40,312	127,055	2,812,039	4.52%
2010-11	90,431	36,624	127,055	2,301,375	5.52%
2011-12	94,398	32,657	127,055	2,272,332	5.59%
2012-13	98,396	66,192	164,588	2,272,332	7.24%
2013-14	136,480	140,882	277,362	2,737,901	10.13%
2014-15	116,000	72,705	188,705	2,714,381	6.95%

(1) Amounts exclusive of capital projects.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of Council
Town of Pearisburg, Virginia
Pearisburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearisburg, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Pearisburg, Virginia's basic financial statements and have issued our report thereon dated December 18, 2015.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness [2015-001].

Compliance and Other Matters

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

The Town of Pearisburg, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Faimer, Co. Associates

Blacksburg, Virginia
December 18, 2015

Town of Pearisburg, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

2015-001

Criteria: Per Statement on Auditing Standards No. 115, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.

Condition: The auditee does not possess sufficient expertise in the selection and application of accounting principles to ensure the annual financial report meets all applicable standards promulgated by the Governmental Accounting Standards Board (GASB).

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

Cause: The auditee is small and does not have staff with significant experience in preparing financial statements in accordance with current reporting standards. As such, the auditee relies on the auditor for technical advice related to same.

Recommendation: The auditor recommends that the auditee review audit adjustments annually and replicate same in future periods to the extent possible. It is noted that the auditee has made great strides in posting year end adjustments and is gaining a good understanding of the year end audit process.

Managements' Response: To comply with SAS No. 115, we would be required to hire staff and/or consultants with expertise in the preparation of financial statements using standards referred to above. The additional cost required exceeds any identified benefits. As such, management does not propose to take any action regarding SAS No. 115.