

TOWN OF POCAHONTAS, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

DRAFT

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

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

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TOWN OF POCAHONTAS, VIRGINIA

TOWN COUNCIL

Benjamin Gibson, Mayor
Suzanne Brinegar, Vice-Mayor
Michael Gibson
Teddy Sluss
Jamie Cartwright

OTHER OFFICIALS

Benjamin Gibson Town Manager
Bradley Ratliff Town Attorney
Terri Baldwin Town Treasurer
George Pilkins Police Chief
Kenneth Buchanan Fire Chief

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of Council
Town of Pocahontas, Virginia
Pocahontas, 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 Town of Pocahontas, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Qualified
General Fund	Unmodified
Mine Exhibit Fund	Unmodified

Basis for Qualified Opinion on Business-type Activities

The Town was unable to substantiate revenues from water billing revenue which totals \$328,838 on the Statement of Revenues, Expenses, and Changes in Net Position and represents 96% of revenue in the business-type activities.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Business-type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Pocahontas, Virginia, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Town of Pocahontas, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that budgetary comparison information on pages 29-30, 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 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.

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Other Matters (continued)

Required Supplementary Information (continued)

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2017, on our consideration of Town of Pocahontas, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pocahontas, Virginia's internal control over financial reporting and compliance.

Blacksburg, Virginia
February 26, 2017

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 93,208	\$ 56,287	\$ 149,495
Cash and cash equivalents - restricted	-	8,447	8,447
Receivables (net of allowance for uncollectibles):			
Taxes receivable	60,556	-	60,556
Accounts receivable	815	73,378	74,193
Notes receivable	3,000	-	3,000
Prepaid items	2,295	-	2,295
Internal balances	28,307	(28,307)	-
Intergovernmental receivable	11,785	-	11,785
Total current assets	<u>\$ 199,966</u>	<u>\$ 109,805</u>	<u>\$ 309,771</u>
Noncurrent assets:			
Notes receivable	\$ 1,500	\$ -	\$ 1,500
Capital assets (net of accumulated depreciation):			
Land	141,834	54,908	196,742
Buildings and improvements	282,827	-	282,827
Machinery and equipment	22,875	-	22,875
Infrastructure	-	208,474	208,474
Total capital assets	<u>\$ 447,536</u>	<u>\$ 263,382</u>	<u>\$ 710,918</u>
Total noncurrent assets	<u>\$ 449,036</u>	<u>\$ 263,382</u>	<u>\$ 712,418</u>
Total assets	<u>\$ 649,002</u>	<u>\$ 373,187</u>	<u>\$ 1,022,189</u>
LIABILITIES			
Accounts payable	\$ 7,636	\$ 8,343	\$ 15,979
Customers' deposits	-	8,447	8,447
Accrued interest payable	-	10,244	10,244
Long-term liabilities:			
Due within one year	4,569	63,209	67,778
Due in more than one year	30,906	886,184	917,090
Total liabilities	<u>\$ 43,111</u>	<u>\$ 976,427</u>	<u>\$ 1,019,538</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	<u>\$ 34,463</u>	<u>\$ -</u>	<u>\$ 34,463</u>
NET POSITION			
Net investment in capital assets	\$ 413,030	\$ (686,011)	\$ (272,981)
Unrestricted	158,398	82,771	241,169
Total net position	<u>\$ 571,428</u>	<u>\$ (603,240)</u>	<u>\$ (31,812)</u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating		Governmental Activities	Business-type Activities		Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Primary Government	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 98,603	\$ -	\$ -	\$ (98,603)	\$ -	\$ -	\$(98,603)
Public safety	65,319	569	33,563	(31,187)	-	-	(31,187)
Public works	49,950	21,538	1,533	(26,879)	-	-	(26,879)
Parks, recreation, and cultural	29,050	19,106	10,950	1,006	-	-	1,006
Interest on long-term debt	15	-	-	(15)	-	-	(15)
Total governmental activities	\$ 242,937	\$ 41,213	\$ 46,046	\$ (155,678)	\$ -	\$ -	\$(155,678)
Business-type activities:							
Water	\$ 396,626	\$ 328,838	\$ -	\$ -	\$ (54,219)	\$ -	\$(54,219)
Total primary government	\$ 639,563	\$ 370,051	\$ 46,046	\$ (155,678)	\$ (54,219)	\$ (54,219)	\$(209,897)
General revenues:							
General property taxes	\$ 40,301	\$ -	\$ -	\$ 40,301	\$ -	\$ -	\$ 40,301
Other local taxes:							
Local sales and use taxes	27,546			27,546			27,546
Consumers' utility and consumption taxes	9,728			9,728			9,728
Other local taxes	2,057			2,057			2,057
Unrestricted revenues from use of money and property	19,728			19,728			19,728
Miscellaneous	27,089			27,089			27,089
Grants and contributions not restricted to specific programs	30,275			30,275			30,275
Special items	-			-	(2,777,734)	(2,777,734)	(2,777,734)
Total general revenues	\$ 156,724	\$ (2,777,734)	\$ (2,621,010)	\$ 156,724	\$ (2,777,734)	\$ (2,621,010)	\$(2,621,010)
Change in net position	\$ 1,046	\$ (2,831,953)	\$ (2,830,907)	\$ 1,046	\$ (2,831,953)	\$ (2,830,907)	\$(2,830,907)
Net position - beginning, as restated	570,382	2,228,713	2,799,095	570,382	2,228,713	2,799,095	2,799,095
Net position - ending	\$ 571,428	\$ (603,240)	\$ (31,812)	\$ 571,428	\$ (603,240)	\$ (31,812)	\$(31,812)

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



Town of Pocahontas, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General</u>	<u>Mine Exhibit</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 89,327	\$ 3,881	\$ 93,208
Receivables (net of allowance for uncollectibles):			
Taxes receivable	60,556	-	60,556
Accounts receivable	815	-	815
Notes receivable	3,000	-	3,000
Due from other funds	28,307	-	28,307
Intergovernmental receivable	11,785	-	11,785
Prepaid items	2,295	-	2,295
Total current assets	<u>\$ 196,085</u>	<u>\$ 3,881</u>	<u>\$ 199,966</u>
Noncurrent assets:			
Notes receivable	\$ 1,500	\$ -	\$ 1,500
Total noncurrent assets	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 1,500</u>
Total assets	<u><u>\$ 197,585</u></u>	<u><u>\$ 3,881</u></u>	<u><u>\$ 201,466</u></u>
LIABILITIES			
Accounts payable	\$ 7,327	\$ 309	\$ 7,636
Total liabilities	<u>\$ 7,327</u>	<u>\$ 309</u>	<u>\$ 7,636</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 58,727	\$ -	\$ 58,727
FUND BALANCES			
Nonspendable	\$ 6,795	\$ -	\$ 6,795
Assigned:			
Fire Department	11,637	-	11,637
Mine Exhibit	-	3,572	3,572
Unassigned	113,099	-	113,099
Total fund balances	<u>\$ 131,531</u>	<u>\$ 3,572</u>	<u>\$ 135,103</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 197,585</u></u>	<u><u>\$ 3,881</u></u>	<u><u>\$ 201,466</u></u>

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

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Town of Pocahontas, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 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 Funds	\$	135,103
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	141,834
Buildings and improvements		282,827
Machinery and equipment		22,875
		447,536
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.		
Unavailable revenue - property taxes		24,264
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences		(969)
Note payable		(34,506)
		(35,475)
Net position of governmental activities	\$	571,428

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

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Town of Pocahontas, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>Mine Exhibit</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 34,527	\$ -	\$ 34,527
Other local taxes	39,331	-	39,331
Permits, privilege fees, and regulatory licenses	80	-	80
Fines and forfeitures	489	-	489
Revenue from the use of money and property	19,728	-	19,728
Charges for services	21,538	19,106	40,644
Miscellaneous	27,089	-	27,089
Intergovernmental:			
Local	21,984	3,750	25,734
Commonwealth	50,587	-	50,587
Total revenues	<u>\$ 215,353</u>	<u>\$ 22,856</u>	<u>\$ 238,209</u>
EXPENDITURES			
Current:			
General government administration	\$ 90,424	\$ -	\$ 90,424
Public safety	50,269	-	50,269
Public works	39,204	-	39,204
Parks, recreation, and cultural	-	22,594	22,594
Nondepartmental	2,359	-	2,359
Debt service:			-
Principal retirement	3,600	-	3,600
Interest and other fiscal charges	15	-	15
Total expenditures	<u>\$ 185,871</u>	<u>\$ 22,594</u>	<u>\$ 208,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 29,482</u>	<u>\$ 262</u>	<u>\$ 29,744</u>
Net change in fund balances	\$ 29,482	\$ 262	\$ 29,744
Fund balances - beginning, as restated	102,049	3,310	105,359
Fund balances - ending	<u>\$ 131,531</u>	<u>\$ 3,572</u>	<u>\$ 135,103</u>

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

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Town of Pocahontas, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 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 balances - total governmental funds	\$ 29,744
<p>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 the depreciation exceeded capital outlays in the current period.</p>	
Depreciation expense	(37,103)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in unavailable revenue - property taxes	5,774
<p>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.</p>	
Principal repayments	3,600
<p>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.</p>	
Change in compensated absences	(969)
Change in net position of governmental activities	\$ 1,046

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

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Town of Pocahontas, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2015

	Proprietary Fund
	Water Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 56,287
Cash and cash equivalents - restricted	8,447
Accounts receivable, net of allowance for uncollectibles	73,378
Total current assets	\$ 138,112
Noncurrent assets:	
Capital assets:	
Land	\$ 54,908
Infrastructure	4,169,456
Less accumulated depreciation	(3,960,982)
Total capital assets	\$ 263,382
Total noncurrent assets	\$ 263,382
Total assets	\$ 401,494
LIABILITIES	
Current liabilities:	
Accounts payable - operations	\$ 8,343
Customers' deposits	8,447
Accrued interest payable	10,244
Due to General fund	28,307
Bond payable - current portion	57,209
Note payable - current portion	6,000
Total current liabilities	\$ 118,550
Noncurrent liabilities:	
Bond payable - net of current portion	\$ 875,834
Note payable - net of current portion	10,350
Total noncurrent liabilities	\$ 886,184
Total liabilities	\$ 1,004,734
NET POSITION	
Net investment in capital assets	\$ (686,011)
Unrestricted	82,771
Total net position	\$ (603,240)

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

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

	Proprietary Fund
	Water
	Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 328,838
Total operating revenues	\$ 328,838
OPERATING EXPENSES	
Salaries and fringes	\$ 165,007
Utilities	31,877
Supplies and repairs	18,704
Office expense	5,569
Insurance	3,811
Fuel	2,349
Chemicals	12,588
Miscellaneous	10,920
Depreciation	104,236
Total operating expenses	\$ 355,061
Operating income (loss)	\$ (26,223)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (41,565)
Contributions from Tazewell PSA	13,569
Total nonoperating revenues (expenses)	\$ (27,996)
Special item-impairment of water line infrastructure	\$ (2,777,734)
Change in net position	\$ (2,831,953)
Total net position - beginning, as restated	\$ 2,228,713
Total net position - ending	\$ (603,240)

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

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Town of Pocahontas, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Proprietary Fund
	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 335,611
Payments to suppliers	(84,719)
Payments to and for employees	(165,007)
Net cash provided by (used for) operating activities	\$ 85,885
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 4,679
Net cash provided by (used for) noncapital financing activities	\$ 4,679
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments	\$ (51,575)
Contributions from Tazewell PSA	13,569
Interest expense	(42,154)
Net cash provided by (used for) capital and related financing activities	\$ (80,160)
Net increase (decrease) in cash and cash equivalents	\$ 10,404
Cash and cash equivalents - beginning (including \$8,222 restricted cash)	54,330
Cash and cash equivalents - ending (including \$8,447 restricted cash)	\$ 64,734
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (26,223)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 104,236
(Increase) decrease in accounts receivable	6,548
Increase (decrease) in customer deposits	225
Increase (decrease) in operating accounts payable	1,099
Total adjustments	\$ 112,108
Net cash provided by (used for) operating activities	\$ 85,885

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

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TOWN OF POCAHONTAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of Significant Accounting Policies:

The financial statements of Town of Pocahontas, Virginia (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 in GAAP and used by the Town are discussed below.

A. Financial Reporting Entity:

The Town Council of Pocahontas, Virginia is the basic level of government, which has financial accountability and control over all activities related to the Town. The Town Council receives funding from local, state and federal government sources and must comply with requirements of these funding source entities. However, the Town Council is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since the Town Council are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. In addition, there are no component units which are included in the Town's reporting entity.

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

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*.

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

B. Government-wide and Fund Financial Statements: (continued)

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

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

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

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 utilities 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.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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 in other funds. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenue is used principally to finance the operations of the part of the Town's administration, police and fire protection and public works.

The Town reports the following major proprietary funds:

The Town operates a water distribution system. The activities of the systems are accounted for in the respective Water Fund.

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.

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

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

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 fund 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 expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, 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 and personal property taxes are payable on December 5th. 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 \$10,559 for property taxes and \$28,956 for water receivables at June 30, 2015.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance:
(continued)

5. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

6. 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 Town 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 acquisition 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 is 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. There was no interest capitalized during fiscal year 2015.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	39-40
Structures, lines, and accessories	20-40
Machinery and equipment	5-7

7. 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 Governmental Accounting Standards 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.

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance:
(continued)

8. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

9. 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/expenditure) until then. The Town does not have any items that qualify for reporting in this category.

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

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance:
(continued)

11. 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.

The Town's highest decision making level is the Town Council. Action from the Town Council is required to commit or release funds from commitment. The Town Council has authorized the Town Treasurer to assign fund balance to a specific purpose as approved within the Town's fund balance policy.

The Town considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the Town considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

The Town has \$6,795 in nonspendable fund balance at June 30, 2015, which consists of \$2,295 of prepaid items and \$4,500 of a lease purchase agreement.

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 the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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 Treasurer 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.
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 department level or category level. The appropriation for each department or category can be revised only by the Manager. The Town Treasurer 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 and Special Revenue 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. All budget data presented in the accompanying financial statements is the original budget to the current comparison of the final budget and actual results.

B. Deficit fund equity:

At June 30, 2015, the Town did not have any funds with deficit fund equity.

Note 3 - Deposits and Investments:

A. Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporations (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.

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TOWN OF POCAHONTAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 3 - Deposits and Investments: (continued)

B. Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies 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 did not have any investments.

Note 4 - Intergovernmental Receivables:

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

	General Fund	Water Fund
<u>Commonwealth of Virginia:</u>		
Local Sales Tax	\$ 4,934	\$ -
Rolling Stock Tax	3,899	-
Communication Tax	2,952	-
Total	<u>\$ 11,785</u>	<u>\$ -</u>

Note 5 - Interfund Obligations:

Fund	Due to	Due from
General Fund	<u>\$ 28,307</u>	<u>\$ -</u>
Proprietary Fund	<u>\$ -</u>	<u>\$ 28,307</u>

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TOWN OF POCAHONTAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6 - Long-term Obligations:

A. *Governmental Activities Obligations:*

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

	As Restated, Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
General obligation bond	\$ 38,106	\$ -	\$ (3,600)	\$ 34,506
Compensated absences	-	969	-	969
Total	\$ 38,106	\$ 969	\$ (3,600)	\$ 35,475

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>General Obligation Bond:</u>		
\$48,827 general obligation bond bearing interest at 0%, issued June 30, 2005 and maturing January 27, 2025 with monthly payments of \$300.	\$ 34,506	\$ 3,600
<u>Other Obligations:</u>		
Compensated absences	\$ 969	\$ 969
Total Other Obligations	\$ 969	\$ 969
Total Long-term Obligations	\$ 35,475	\$ 4,569

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

Year Ending June 30,	General Obligation Bond	
	Principal	Interest
2016	\$ 3,600	\$ -
2017	3,600	-
2018	3,600	-
2019	3,600	-
2020	3,600	-
2021-2025	16,506	-
Totals	\$ 34,506	\$ -

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TOWN OF POCAHONTAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6 - Long-term Obligations: (continued)

B. Business-type Activities Obligations:

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

	As Restated, Balance July 1, 2014	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
Revenue bond	\$ 981,318	\$ -	\$ (48,275)	\$ 933,043
Tazewell County note	19,650	-	(3,300)	16,350
Total	\$ 1,000,968	\$ -	\$ (51,575)	\$ 949,393

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Note Payable:</u>		
\$21,300 loan from Tazewell County bearing 0% interest issued January 1, 2014 and maturing December 31, 2017 with monthly payments of \$500.	\$ 16,350	\$ 6,000
<u>Revenue Bond:</u>		
\$2,127,786 VRA water bond bearing a 3.93% interest rate, issued in 2005 and maturing October 1, 2027 with variable annual principal and semi-annual interest payments.	\$ 933,043	\$ 57,209
Total Long-term Obligations	\$ 949,393	\$ 63,209

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

Year Ending June 30,	Note Payable		Revenue Bond	
	Principal	Interest	Principal	Interest
2016	\$ 6,000	\$ -	\$ 57,209	\$ 39,632
2017	6,000	-	56,085	36,907
2018	4,350	-	59,917	34,137
2019	-	-	59,832	31,316
2020	-	-	65,000	28,550
2021-2025	-	-	370,000	98,797
2026-2028	-	-	265,000	17,976
Totals	\$ 16,350	\$ -	\$ 933,043	\$ 287,315

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TOWN OF POCAHONTAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7 - Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 141,834	\$ -	\$ -	\$ 141,834
Total capital assets not being depreciated	<u>\$ 141,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,834</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 706,144	\$ -	\$ -	\$ 706,144
Machinery and equipment	138,511	-	-	138,511
Total capital assets being depreciated	<u>\$ 844,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,655</u>
Accumulated depreciation:				
Buildings and improvements	\$ (410,493)	\$ (12,824)	\$ -	\$ (423,317)
Machinery and equipment	(91,357)	(24,279)	-	(115,636)
Total accumulated depreciation	<u>\$ (501,850)</u>	<u>\$ (37,103)</u>	<u>\$ -</u>	<u>\$ (538,953)</u>
Total capital assets being depreciated, net	<u>\$ 342,805</u>	<u>\$ (37,103)</u>	<u>\$ -</u>	<u>\$ 305,702</u>
Governmental activities capital assets, net	<u>\$ 484,639</u>	<u>\$ (37,103)</u>	<u>\$ -</u>	<u>\$ 447,536</u>

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

Governmental activities:	
General government administration	\$ 4,851
Parks and Recreation	6,456
Public safety	15,050
Public works	<u>10,746</u>
Total depreciation expense-governmental activities	<u>\$ 37,103</u>

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TOWN OF POCAHONTAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7 - Capital Assets: (continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 54,908	\$ -	\$ -	\$ 54,908
Total capital assets not being depreciated	<u>\$ 54,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,908</u>
Capital assets, being depreciated:				
Infrastructure	\$ 4,169,456	\$ -	\$ -	\$ 4,169,456
Total capital assets being depreciated	<u>\$ 4,169,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,169,456</u>
Accumulated depreciation:				
Infrastructure*	\$ (1,079,012)	\$ (2,881,970)	\$ -	\$ (3,960,982)
Total accumulated depreciation	<u>\$ (1,079,012)</u>	<u>\$ (2,881,970)</u>	<u>\$ -</u>	<u>\$ (3,960,982)</u>
Total capital assets being depreciated, net	<u>\$ 3,090,444</u>	<u>\$ (2,881,970)</u>	<u>\$ -</u>	<u>\$ 208,474</u>
Business-type activities capital assets, net	<u>\$ 3,145,352</u>	<u>\$ (2,881,970)</u>	<u>\$ -</u>	<u>\$ 263,382</u>

*Increase in depreciation includes \$2,777,734 in impairment to the water line infrastructure. The infrastructure appears to be impaired as the Town is expected to turn over the assets to Tazewell County Public Service Authority (PSA) at no cost in less than three years. Virginia Resources Authority (VRA) is working with the PSA to provide necessary funding to overhaul the infrastructure in the near future.

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water and Sewer	<u>\$ 104,236</u>

Note 8 - Litigation:

As of June 30, 2015, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision on pending matters not be favorable.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9 - Operating Leases:

The Town rents various buildings to individuals and/or businesses. As of June 30, 2015, the Town had the following outstanding leases:

11/1/12 - 10/31/17 - \$8,400 annually
9/8/14 - 9/8/15 - \$3,840 annually

In addition, the Town entered into a lease purchase agreement with an individual. The individual agreed to pay \$250 per month from January 2015 - January 2017 for purchase of the rental home. As of June 30, 2015 the Town was owed \$4,500 on this agreement.

Note 10 -Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$58,727 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$58,727.

Note 11 - 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. 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.

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Note 12 -Beginning Net Position/Fund Balance:

The Town did not have an audit for the year ended June 30, 2014. As a result various adjustments were made to beginning net position and fund balance based on the auditors proposed adjustments.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 35,317	\$ 35,317	\$ 34,527	\$ (790)
Other local taxes	41,800	41,800	39,331	(2,469)
Permits, privilege fees, and regulatory licenses	80	80	80	-
Fines and forfeitures	1,500	1,500	489	(1,011)
Revenue from the use of money and property	14,300	14,300	19,728	5,428
Charges for services	22,000	22,000	21,538	(462)
Miscellaneous	1,500	1,500	27,089	25,589
Intergovernmental:				
Local	11,500	11,500	21,984	10,484
Commonwealth	52,300	52,300	50,587	(1,713)
Total revenues	\$ 180,297	\$ 180,297	\$ 215,353	\$ 35,056
EXPENDITURES				
Current:				
General government administration	\$ 72,455	\$ 72,455	\$ 90,424	\$ (17,969)
Public safety	57,670	57,670	50,269	7,401
Public works	44,520	44,520	39,204	5,316
Nondepartmental	-	-	2,359	(2,359)
Debt service:				
Principal retirement	3,600	3,600	3,600	-
Interest and other fiscal charges	-	-	15	(15)
Total expenditures	\$ 178,245	\$ 178,245	\$ 185,871	\$ (7,626)
Excess (deficiency) of revenues over (under) expenditures	\$ 2,052	\$ 2,052	\$ 29,482	\$ 27,430
Net change in fund balances	\$ 2,052	\$ 2,052	\$ 29,482	\$ 27,430
Fund balances - beginning, as restated	(2,052)	(2,052)	102,049	104,101
Fund balances - ending	\$ -	\$ -	\$ 131,531	\$ 131,531

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Town of Pocahontas, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
 Mine Exhibit Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 13,400	\$ 13,400	\$ 19,106	\$ 5,706
Intergovernmental revenues:				
Local	7,500	7,500	3,750	(3,750)
Total revenues	\$ 20,900	\$ 20,900	\$ 22,856	\$ 1,956
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 20,900	\$ 20,900	\$ 22,594	\$ (1,694)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 262	\$ 262
Net change in fund balances	\$ -	\$ -	\$ 262	\$ 262
Fund balances - beginning	-	-	3,310	3,310
Fund balances - ending	\$ -	\$ -	\$ 3,572	\$ 3,572

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Town of Pocahontas, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
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 estate taxes	\$ 25,000	\$ 25,000	\$ 26,574	\$ 1,574
Personal property taxes	6,317	6,317	4,234	(2,083)
Public service corporation taxes	4,000	4,000	3,719	(281)
Total general property taxes	<u>\$ 35,317</u>	<u>\$ 35,317</u>	<u>\$ 34,527</u>	<u>\$ (790)</u>
Other local taxes:				
Local sales and use tax	\$ 27,000	\$ 27,000	\$ 27,546	\$ 546
Consumers' utility and consumption taxes	11,000	11,000	9,728	(1,272)
Business license tax	2,000	2,000	727	(1,273)
Motor vehicle licenses	1,800	1,800	1,330	(470)
Total other local taxes	<u>\$ 41,800</u>	<u>\$ 41,800</u>	<u>\$ 39,331</u>	<u>\$ (2,469)</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 80	\$ 80	\$ 80	\$ -
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,500	\$ 1,500	\$ 489	\$ (1,011)
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 3	\$ 3
Revenue from use of property	14,300	14,300	19,725	5,425
Total revenue from use of money and property	<u>\$ 14,300</u>	<u>\$ 14,300</u>	<u>\$ 19,728</u>	<u>\$ 5,428</u>
Charges for services:				
Garbage collections	\$ 22,000	\$ 22,000	\$ 21,538	\$ (462)
Miscellaneous revenue:				
Insurance recovery	\$ -	\$ -	\$ 17,297	\$ 17,297
Other miscellaneous	1,500	1,500	9,792	8,292
Total miscellaneous revenue	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 27,089</u>	<u>\$ 25,589</u>
Total revenue from local sources	<u>\$ 116,497</u>	<u>\$ 116,497</u>	<u>\$ 142,782</u>	<u>\$ 26,285</u>
Intergovernmental:				
Revenue from the Tazewell County, Virginia:				
Categorical aid:				
Other categorical aid:				
Contributions to the Volunteer fire department	\$ 11,500	\$ 11,500	\$ 13,251	\$ 1,751
Contributions for cemetery maintenance	-	-	7,200	7,200
Contributions for field maintenance	-	-	1,533	1,533
Total other categorical aid	<u>\$ 11,500</u>	<u>\$ 11,500</u>	<u>\$ 21,984</u>	<u>\$ 10,484</u>
Total revenue from Tazewell County, Virginia	<u>\$ 11,500</u>	<u>\$ 11,500</u>	<u>\$ 21,984</u>	<u>\$ 10,484</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 18	\$ 18
Rolling stock tax	3,000	3,000	3,899	899
Communications tax	18,000	18,000	18,675	675
Personal property tax relief act funds	7,683	7,683	7,683	-
Total noncategorical aid	<u>\$ 28,683</u>	<u>\$ 28,683</u>	<u>\$ 30,275</u>	<u>\$ 1,592</u>

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Town of Pocahontas, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
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)				
Intergovernmental: (Continued)				
Categorical aid:				
Other categorical aid:				
Local law enforcement grants	\$ 13,617	\$ 13,617	\$ 10,312	\$ (3,305)
Fire program funds	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 23,617</u>	<u>\$ 23,617</u>	<u>\$ 20,312</u>	<u>\$ (3,305)</u>
Total revenue from the Commonwealth	<u>\$ 52,300</u>	<u>\$ 52,300</u>	<u>\$ 50,587</u>	<u>\$ (1,713)</u>
Total General Fund	<u>\$ 180,297</u>	<u>\$ 180,297</u>	<u>\$ 215,353</u>	<u>\$ 35,056</u>
Special Revenue Fund:				
Mine Exhibit Fund:				
Revenue from local sources:				
Charges for services:				
Charges for admission	\$ 13,400	\$ 13,400	\$ 19,106	\$ 5,706
Intergovernmental:				
Revenue from the Tazewell County, Virginia:				
Categorical aid:				
Other categorical aid:				
Contributions to the mine exhibit	\$ 7,500	\$ 7,500	\$ 3,750	\$ (3,750)
Total Mine Exhibit Fund	<u>\$ 20,900</u>	<u>\$ 20,900</u>	<u>\$ 22,856</u>	<u>\$ 1,956</u>

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

<u>Fund, Function, Sub-Function and Department</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:				
General and financial administration:				
Administrative	\$ 72,455	\$ 72,455	\$ 90,424	\$ (17,969)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 36,220	\$ 36,220	\$ 28,776	\$ 7,444
Fire and rescue services:				
Volunteer fire department	\$ 21,450	\$ 21,450	\$ 21,493	\$ (43)
Public works:				
Maintenance of general buildings and grounds:				
Building and street maintenance	\$ 44,520	\$ 44,520	39,204	\$ 5,316
Nondepartmental:				
Payroll taxes	\$ -	\$ -	\$ 2,359	\$ (2,359)
Debt service:				
Principal retirement	\$ 3,600	\$ 3,600	\$ 3,600	\$ -
Interest and other fiscal charges	-	-	15	(15)
Total debt service	\$ 3,600	\$ 3,600	\$ 3,615	\$ (15)
Total General Fund	\$ 178,245	\$ 178,245	\$ 185,871	\$ (7,626)
Mine Exhibit Fund:				
Parks, recreation, and cultural:				
Mine Exhibit	\$ 20,900	\$ 20,900	\$ 22,594	\$ (1,694)
Total Mine Exhibit Fund	\$ 20,900	\$ 20,900	\$ 22,594	\$ (1,694)

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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 Pocahontas, Virginia
Independence, 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 Town of Pocahontas, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Pocahontas, Virginia's basic financial statements and have issued our report thereon dated February 26, 2017.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2015-001, 2015-002, and 2015-003].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Pocahontas, 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*.

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Town of Pocahontas, Virginia's Response to Findings

Town of Pocahontas, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Pocahontas, 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.

Blacksburg, Virginia
February 26, 2017

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Town of Pocahontas, 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) indentified?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2015-001

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The Town has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The Town should begin reconciling its records on a monthly basis in order to provide the consultants accurate information to compile for audit.
Management's Response:	The Town will work with the auditors to learn how to make the necessary entries to be able to provide a more accurate trial balance to the consultants.

2015-002

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town does not have a proper segregation of duties over the payroll, accounts payable and billing and collection functions.
Cause of Condition:	The Town lacks the funding to fully support a completely segregated finance department.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable and payroll functions lack proper segregation of duties; however, to alleviate same would require additional staff.

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Town of Pocahontas, Virginia
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Section II - Financial Statement Findings (Continued)

2015-003

Criteria:	A key concept of internal controls is preparing accurate monthly bank reconciliations.
Condition:	The Town has not been reconciling its bank statement in the accounting software.
Cause of Condition:	The Town did not use its software's bank reconciliation function to make sure the bank reconciliation is accurate.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	We recommend the Town begin reconciling its bank accounts monthly using the Quickbooks process to ensure the reconciliations agree to the accounting records.
Management's Response:	The Town Clerk will prepare a bank reconciliation each month and the Mayor will review same.

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