

***TOWN OF SAINT PAUL, VIRGINIA***

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**AUDIT REPORT**

**Year Ended June 30, 2012**

TOWN OF SAINT PAUL, VIRGINIA  
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June 30, 2012

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**TOWN COUNCIL:**

Hubert Kyle Fletcher, Mayor  
Kenneth Holbrook, Vice-Mayor  
Tim Boardwine  
Monty Salyer  
Jason Kilgore  
Greg Bailey  
Harry Kelly

**TOWN OFFICERS:**

Debora Baca, Town Treasurer  
James "Bo" Phillips, Chief of Police

**TOWN LEGAL COUNSEL:**

Greg Kallen, Attorney at Law

# THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants*

*& Consultants*

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\* CHARLES F. LAWSON, C.P.A.

MONROE B. THROWER, C.P.A.  
(1918-2000)  
M. BARDIN THROWER, JR., C.P.A.  
(1946-2012)

*Founded 1948*

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P. O. Box 1266  
612 Trent Street  
Norton, Virginia 24273  
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## REPORT OF INDEPENDENT AUDITORS

The Honorable Members of the Town Council  
Town of Saint Paul, Virginia  
Saint Paul, VA 24283

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Saint Paul, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the Town of Saint Paul'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 the report is to describe the scope of our testing on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information listed as other supplementary information and compliance section information in the accompanying table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis that accounting principles accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The information included in the introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



**THROWER, BLANTON & ASSOCIATES, P.C.**  
Certified Public Accountants

February 12, 2013

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Town Council  
Town of Saint Paul, Virginia  
Saint Paul, VA 24283

We have audited the financial statements of the Town of Saint Paul, Virginia, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 12, 2013. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit for the year ended June 30, 2012, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 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.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of St. Paul, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

We noted certain matters that we reported to management of the Town of St. Paul, Virginia, in a separate letter dated February 12, 2013.

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



**THROWER, BLANTON & ASSOCIATES, P.C.**  
Certified Public Accountants

February 12, 2013

**TOWN OF SAINT PAUL, VIRGINIA**

***SUMMARY OF COMPLIANCE MATTERS***

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**June 30, 2012**

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As more fully described in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts and grants shown below.

**STATE COMPLIANCE MATTERS**

**Code of Virginia:**

Budget and Appropriation Laws  
Cash and Investments Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Debt Provisions  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act

**LOCAL COMPLIANCE MATTERS**

Town Charter

**TOWN OF SAINT PAUL, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

EXHIBIT 1

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 820,843	\$ 50,463	\$ 871,306
Receivables:			
Taxes	19,868	-	19,868
Accounts	20,779	115,584	136,363
Other	64	-	64
Due from Other Funds	2,000	-	2,000
Due from other governmental units	109,040	-	109,040
Other Assets	-	33,092	33,092
Prepaid expenses	-	-	-
Restricted Assets:			
Cash	109,244	679,739	788,983
Capital assets, depreciable, net	753,457	7,500,623	8,254,080
Capital assets, non-depreciable	158,300	569,070	727,370
	<b>\$ 1,993,595</b>	<b>\$ 8,948,571</b>	<b>\$ 10,942,166</b>
TOTAL ASSETS			
 <b><u>LIABILITIES</u></b>			
Accounts payable	\$ 38,061	\$ 389,252	\$ 427,313
Accrued liabilities and wages	21,875	12,024	33,899
Due to Other Funds	2,000	-	2,000
Payable From Restricted Assets:			
Deposits	-	9,650	9,650
Deferred revenue	-	-	-
Matured revenue interest	-	8,347	8,347
OPEB Liability	35,223	18,846	54,069
Long-term liabilities			
Due within one year	-	319,629	319,629
Due in more than one year	-	4,577,813	4,577,813
Compensated absences			
Due within one year	15,097	10,303	25,400
Due in more than one year	22,646	15,455	38,101
	134,902	5,361,319	5,496,221
Total Liabilities			
 <b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	911,757	3,172,251	4,084,008
Restricted	-	-	-
Unrestricted	946,936	415,001	1,361,937
	<b>\$ 1,858,693</b>	<b>\$ 3,587,252</b>	<b>\$ 5,445,945</b>
Total Net Assets			

**TOWN OF SAINT PAUL, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
 June 30, 2012

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 694,992	\$ -	\$ -	\$ -	\$ (694,992)	\$ -	\$ (694,992)
Public safety	370,710	-	28,257	-	(342,453)	-	(342,453)
Public works	360,624	375	-	-	(360,249)	-	(360,249)
Parks, recreation, and cultural	92,025	35,197	-	-	(56,828)	-	(56,828)
Community development	55,668	-	4,408	103,007	51,747	-	51,747
Interest on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	1,574,019	35,572	32,665	103,007	(1,402,775)	-	(1,402,775)
<b>Business-Type Activities:</b>							
Water and Sewer	1,078,846	943,606	173,033	150,000	-	187,793	187,793
Total Business-Type Activities	1,078,846	943,606	173,033	150,000	-	187,793	187,793
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,652,865</b>	<b>\$ 979,178</b>	<b>\$ 205,698</b>	<b>\$ 253,007</b>	<b>\$ (1,402,775)</b>	<b>\$ 187,793</b>	<b>\$ (1,214,982)</b>

**General Revenues:**

Property taxes	1,095,485	-	1,095,485
Local sales & use tax	61,169	-	61,169
Utility tax	35,227	-	35,227
Business license tax	141,864	-	141,864
Communication taxes	-	-	-
Motor vehicle license	8,154	-	8,154
Bank stock tax	37,647	-	37,647
Cigarette tax	22,470	-	22,470
Restaurant food tax	189,542	-	189,542
Coal road improvement tax	163,182	-	163,182
Unrestricted intergovernmental revenue	24,549	-	24,549
Unrestricted investment earnings	4,685	2,126	6,811
Rental of Town property	6,400	-	6,400
Gain on sale of capital assets	-	-	-
Recovered Costs	6,932	-	6,932
Transfers-Primay Government	20,000	(10,000)	10,000
Other	49,359	940	50,299
Total general revenues and transfers	1,866,665	(6,934)	1,859,731
Change in net assets	463,890	180,859	644,749
<b>NET ASSETS - JULY 1</b>	<b>1,394,803</b>	<b>3,406,393</b>	<b>4,801,196</b>
<b>NET ASSETS - JUNE 30</b>	<b>\$ 1,858,693</b>	<b>\$ 3,587,252</b>	<b>\$ 5,445,945</b>



**TOWN OF SAINT PAUL, VIRGINIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
Year Ended June 30, 2012

EXHIBIT 3

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 817,970	\$ 2,873	\$ 820,843
Receivables:			
Taxes	19,868	-	19,868
Accounts	20,779	-	20,779
Other	64	-	64
Prepaid expenses	-	-	-
Due From other funds	2,000	-	2,000
Due from other governmental units	109,040	-	109,040
Restricted Assets:			
Cash	109,244	-	109,244
Total Assets	<u>\$ 1,078,965</u>	<u>\$ 2,873</u>	<u>\$ 1,081,838</u>
<b>LIABILITIES</b>			
Accounts payable	38,061	-	38,061
Accrued payroll and related liabilities	21,875	-	21,875
Due to Other Funds	-	2,000	2,000
Deferred revenue	18,153	-	18,153
Total Liabilities	<u>78,089</u>	<u>2,000</u>	<u>80,089</u>
<b>FUND BALANCES</b>			
Non-Spendable	-	-	-
Restricted	109,244	-	109,244
Committed	602,221	873	603,094
Assigned	-	-	-
Unassigned	289,411	-	289,411
Total Fund Balances	<u>1,000,876</u>	<u>873</u>	<u>1,001,749</u>
Total Liabilities and Fund Balances	<u>\$ 1,078,965</u>	<u>\$ 2,873</u>	<u>\$ 1,081,838</u>
Total Fund Balances	<u>\$ 1,001,749</u>		

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	911,757
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	18,153
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(72,966)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	-
Net Assets of Governmental Activities	<u>\$ 1,858,693</u>

**TOWN OF SAINT PAUL, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
Year Ended June 30, 2012

EXHIBIT 4

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
General property taxes	\$ 1,102,068	\$ -	\$ 1,102,068
Other local taxes	659,255	-	659,255
Permits, privilege fees and regulatory licenses	1,010	-	1,010
Fines and forfeitures	12,679	-	12,679
Revenue from use of money and property	11,085	6	11,091
Charges for services	35,572	-	35,572
Miscellaneous	29,414	7,837	37,251
Recovered costs	673	-	673
Intergovernmental	166,425	-	166,425
Total Revenues	<u>2,018,181</u>	<u>7,843</u>	<u>2,026,024</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General government administration	683,433	-	683,433
Public safety	347,719	-	347,719
Public works	358,601	-	358,601
Parks, recreation and cultural	90,965	18,390	109,355
Community development	144,787	-	144,787
<b>Debt Service:</b>			
Principle retirement	-	-	-
Interest	-	-	-
Total Expenditures	<u>1,625,505</u>	<u>18,390</u>	<u>1,643,895</u>
Excess (Deficiency) of Revenues Over Expenditures	392,676	(10,547)	382,129
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of property	-	-	-
Insurance recoveries	6,932	-	6,932
Transfers in (out)	(690)	10,690	10,000
Total Other Financing Sources ( Uses )	6,242	10,690	16,932
Net Change in Fund Balance	398,918	143	399,061
<b>FUND BALANCE AT JULY 1</b>	<u>601,958</u>	<u>730</u>	<u>602,688</u>
<b>FUND BALANCE AT JUNE 30</b>	<u>\$ 1,000,876</u>	<u>\$ 873</u>	<u>\$ 1,001,749</u>

**TOWN OF SAINT PAUL, VIRGINIA**  
**RECONCILIATION OF THE REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2012

EXHIBIT 5

	<b>General Fund</b>
<b>Net Change in Fund Balance Governmental Fund:</b>	<b>\$ 399,061</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	88,700
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,582)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	-
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.	<u>(17,289)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 463,890</u></b>

**TOWN OF SAINT PAUL, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2012

EXHIBIT 6

	<b>Business-Type Activities Proprietary Funds</b>
	<b>Water &amp; Sewer Operation</b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 50,463
Receivables (Net of Allowance for Uncollectibles):	
Accounts	115,584
Accrued interest	-
Prepaid expenses	-
Deferred bond costs	33,092
Internal receivables	-
<b>Restricted Assets:</b>	
Cash	679,739
Capital assets, non-depreciable	1,561,372
Capital assets, depreciable, net	6,508,321
<b>TOTAL ASSETS</b>	<b>\$ 8,948,571</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	389,252
Accrued wages and liabilities	12,024
<b>Payable From Restricted Assets:</b>	
Customer deposits	9,650
Accrued interest payable	8,346
Due to Other Funds	-
Internal payables	-
Revenue bond payable	319,629
Compensated absences	10,303
Total Current Liabilities	749,204
Noncurrent liabilities:	
Revenue bond payable	4,577,813
OPEB Liability	18,847
Compensated absences	15,455
Total Noncurrent Liabilities	4,612,115
Total Liabilities	5,361,319
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	3,172,251
Restricted	-
Unrestricted	415,001
Total Net Assets	3,587,252
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,948,571</b>

**TOWN OF SAINT PAUL, VIRGINIA**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
For the Year Ended June 30, 2012

EXHIBIT 7

	<b>PROPRIETARY FUNDS</b>
	<b>Water &amp; Sewer Operation</b>
<b>OPERATING REVENUES:</b>	
Water rents	525,188
Sewer rents	321,569
Garbage services	90,346
Penalties	6,246
Other income	257
	943,606
<b>OPERATING EXPENSES:</b>	
Personal services	269,161
Fringe benefits	113,977
Contractual services	19,966
Other charges	252,757
Depreciation and amortization	250,620
	906,481
Total Operating Expenses	906,481
Operating Income (Loss)	37,125
<b>NON-OPERATING REVENUES (EXPENSES) :</b>	
Connection fees	940
Grant revenue	150,000
Contributions-Dominion	173,033
Interfund transfers	(10,000)
Interest income	2,126
Interest expense	(172,365)
	143,734
Total Non-Operating Revenue (Expenses)	143,734
<b>CHANGE IN NET ASSETS</b>	180,859
<b>NET ASSETS AT JULY 1</b>	3,406,393
<b>NET ASSETS AT JUNE 30</b>	\$ 3,587,252

TOWN OF SAINT PAUL, VIRGINIA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 Year Ended June 30, 2012

EXHIBIT 8

	<b>PROPRIETARY FUNDS</b>
	<b>Water &amp; Sewer Operation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 936,068
Cash payments to suppliers for goods and services	1,971
Cash payments to employees for services	(262,422)
Other operating income	257
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>675,874</b>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Increase ( decrease ) in customer deposits	(750)
Operating transfers from other funds	-
Operating transfers to other funds	(10,000)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(10,750)</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
(Increase) decrease in capital assets	(285,705)
(Increase) decrease in construction in progress	(1,009,671)
Principal paid on revenue bond maturities and equipment contracts	(758,240)
Principal advances from bond and note proceeds	1,629,200
Contributed capital - Grant revenue	323,033
Connection fees collected	940
Interest paid on revenue bonds and equipment contracts	(181,248)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(281,691)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends on investments	2,126
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>2,126</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>385,559</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>344,643</b>
Cash and Cash Equivalents at June 30, 2012	
Unrestricted	\$ 50,463
Restricted	679,739
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 730,202</b>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 37,125
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation and amortization	250,620
Provision for compensated absences	1,478
<b>Change in Assets and Liabilities:</b>	
(Increase) decrease in accounts receivable	(7,280)
(Increase) decrease in prepaid expenses	4,819
Increase (decrease) in accounts payable	377,570
Increase (decrease) in OPEB liability	6,282
Increase (decrease) in wages payable and payroll liabilities	5,260
<b>TOTAL ADJUSTMENTS</b>	<b>638,749</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 675,874</b>

Disclosure of Accounting Policy - For purposes of the statement of cash flows, the water and sewer funds consider all highly liquid investments (including restricted maturity of three months or less) when purchased to be cash equivalents.

**TOWN OF SAINT PAUL, VIRGINIA**  
**AGENCY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2012**

EXHIBIT 9

	<u>Agency Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 1,017
Capital asset, depreciable, net	<u>2,137</u>
TOTAL ASSETS	<u>3,154</u>
<b><u>NET ASSETS</u></b>	
Funds held for Johnnie Ramy Memorial Fund	<u>\$ 3,154</u>

TOWN OF SAINT PAUL, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 Year Ended June 30, 2012

EXHIBIT 10

	<b>Agency Fund</b>
<b>Additions</b>	
Donations	\$ -
Interest income	<u>3</u>
<b>Total additions</b>	<u>3</u>
 <b>Deductions</b>	
Operating deductions	<u>97</u>
<b>Total deductions</b>	<u>97</u>
 <b>Change in net assets</b>	 (94)
 <b>Net assets - beginning of year</b>	 <u>3,248</u>
 <b>Net assets - end of year</b>	 <u>\$ 3,154</u>



June 30, 2012

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Saint Paul, Virginia, conform to accounting principles generally accepted in the United States of America as applicable to government units. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Saint Paul, Virginia is a municipality governed by an elected seven-member council. The reporting entity of the Town has been determined in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. In addition, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. As required by those principles, these financial statements present the Town of Saint Paul, Virginia (the primary government).

Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement) which established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) This requirement permits an optional delay for implementation to the fiscal year ending in 2008. The Town implemented the basic model in fiscal year 2004 and completed the implementation of the infrastructure-related portion of the Statement in fiscal year 2008.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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 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.

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 Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, license, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

The special revenue fund accounts for the operations of the Veteran's Memorial Wall Fund.

The Town reports the following major proprietary funds:

The *water and sewer operation fund* provides drinking water, maintains the facilities necessary to provide this service, and provides maintenance to the sewer lines and pump stations. Its primary revenue source is user charges and fees.

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and 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.

June 30, 2012

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1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. When both restricted and unrestricted resources are available for use, it is the Town's policy to use unrestricted resources first, then restricted resources as they are needed.

**Budgeting and Budgetary Accounting**

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

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 Council.
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 cash basis, but variances from modified accrual basis budgets are not considered to be material.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2011.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General and Special Revenue Funds and component units. Encumbrances outstanding at year end are included in restricted, committed, or assigned fund balance, as appropriate.

**Investments**

No investments existed as of June 30, 2012. Certificates of Deposit with maturities of three months or greater are recorded on Exhibit I under the title Cash and cash equivalents and treated as cash equivalents.

June 30, 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
Property, Plant, and Equipment

All property, plant, and equipment are valued at cost or estimated cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized. Depreciation for fixed assets has been provided over the following estimated useful lives using the Straight-Line Method:

	<u>All Funds</u>
Water/Sewer System	40
Buildings	30-40
Improvements other than buildings	30-40
Equipment	3-10

Cash Equivalents

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Fund Equity

Beginning with the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Non-spendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications.

June 30, 2012

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**Fund Equity (Continued)**

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

2. **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 \$12,088 at June 30, 2012, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 2,208
Total General Fund	\$ 2,208
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	\$ 9,880
Total Water and Sewer Fund	\$ 12,088

3. **DEPOSITS AND INVESTMENTS**

**Deposits**

All cash of the Town and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia*, or covered by federal depository insurance.

**Investments**

**Investment Policy:**

In accordance with the Code of Virginia and other applicable laws, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency Securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Pool (the Virginia LGIP, a 2a-7 like pool).

June 30, 2012

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3. **DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

Miner's Exchange	49%
Tru Point	16%
Carter Bank	35%

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2012, all of the Town's investments are held in a bank's trust department in the Town's name.

The above items are reflected in the financial statements as follows:

Deposits and investments:

Cash on hand	\$ 450
Deposits	1,527,033
Investments	<u>132,806</u>
	<u>\$ 1,660,289</u>

Statement of net assets:

Cash and cash equivalents	\$ 738,500
Investments	132,806
Restricted cash and cash equivalents	<u>788,983</u>
	<u>\$1,660,289</u>

Restricted cash and cash equivalents consist primarily of certificates of deposit.

4. **PROPERTY TAXES RECEIVABLE**

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable on December 5th. The Town of Saint Paul bills and collects its own property taxes.

**TOWN OF SAINT PAUL, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

Page 7

June 30, 2012

5. ***DUE FROM OTHER GOVERNMENTAL UNITS***

Federal Government:			
Department of Justice Grants		\$ 1,292	
Total Federal Government			\$ 1,292
Commonwealth of Virginia:			
Fire program funds		\$ 16,000	
Library funds		833	
Tobacco Indemnification		23,028	
Local sales tax		<u>32,315</u>	
Total Commonwealth of Virginia			72,176
Wise County:			
Coal haul road taxes		\$ 34,047	
Court fines/transfer fees		<u>1,525</u>	
Total Wise County			<u>35,572</u>
Total Due From Other Governmental Units			<u>\$109,040</u>

6. ***CAPITAL ASSETS***

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

Governmental activities:		
General government		\$ 13,679
Public safety		17,300
Public works		4,818
Parks, recreation and cultural		<u>19,967</u>
Total depreciation expense – governmental activities		<u>\$ 55,764</u>
Business-type activities:		
Water and sewer		\$ <u>250,620</u>
Total depreciation expense – business-type activity		<u>\$ 250,620</u>

7. ***CHANGES IN CAPITAL ASSETS***

The following is a summary of changes in depreciable capital assets:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, depreciable</b>				
Buildings and improvements	\$1,185,937	\$ 122,435	\$ -	\$1,308,372
Equipment	646,939	6,052	-	652,991
Special Revenue Fund	<u>11,665</u>	<u>18,390</u>	-	<u>30,055</u>
Total Capital Assets, depreciable	<u>1,844,541</u>	<u>146,877</u>	-	<u>1,991,418</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	\$ 605,399	\$ 28,637	\$ -	\$ 634,036
Equipment	573,149	27,127	-	600,276
Special Revenue Fund	<u>1,238</u>	<u>2,412</u>	-	<u>3,649</u>
Total accumulated depreciation	<u>1,179,786</u>	<u>58,175</u>	-	<u>1,237,961</u>
Total Capital Assets, depreciable, net	<u>\$ 664,755</u>	<u>\$ 88,702</u>	<u>\$ -</u>	<u>\$ 753,457</u>

June 30, 2012

7. *CHANGES IN CAPITAL ASSETS (Continued)*

<u>Business Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, depreciable</b>				
Buildings	\$ 852,500	\$ -	\$ -	\$ 852,500
Improvements	7,684,599	-	-	7,684,599
Equipment	704,368	232,459	-	936,827
Total Capital Assets, depreciable	<u>9,241,467</u>	<u>232,459</u>	<u>-</u>	<u>9,473,926</u>
<b>Less accumulated depreciation for</b>				
Buildings	\$ 837,250	\$ 15,250	\$ -	\$ 852,500
Improvements	1,467,986	190,865	-	1,658,851
Equipment	420,131	34,123	-	454,254
Total accumulated depreciation	<u>2,725,367</u>	<u>240,238</u>	<u>-</u>	<u>2,965,605</u>
Total Capital Assets, depreciable, net	<u>\$ 6,516,100</u>	<u>\$ ( 7,779)</u>	<u>\$ -</u>	<u>\$ 6,508,321</u>

The following is a summary of changes in non-depreciable capital assets:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, non-depreciable</b>				
Land	\$ 158,300	\$ -	\$ -	\$ 158,300
Construction in progress	-	-	-	-
Total Capital Assets, Non-depreciable	<u>\$ 158,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,300</u>

<u>Business Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, non-depreciable</b>				
Land	\$ 32,500	\$ 60,000	\$ -	\$ 92,500
Constructions in progress	476,570	992,302	-	1,468,872
Total Capital Assets, Non-depreciable	<u>\$ 509,070</u>	<u>\$ 1,052,302</u>	<u>\$ -</u>	<u>\$ 1,561,372</u>



**TOWN OF SAINT PAUL, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Page 9**

**June 30, 2012**

**8. LONG-TERM DEBT**

The annual requirements to amortize all debt outstanding as of June 30, 2011, are as follows:

Years Ending June 30,	Water & Sewer Bond		Water & Sewer Bond		Water & Sewer Bond		Water & Sewer Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 12,309	\$ -	\$ 1,827	\$ -	\$ 115,869	\$ 134,823	\$ 6,708	\$ -
2014	12,309	-	1,827	-	121,534	126,862	6,708	-
2015	12,309	-	1,827	-	127,117	123,575	6,708	-
2016	12,309	-	1,827	-	132,957	117,735	6,708	-
2017	12,309	-	1,827	-	139,065	111,627	6,708	-
2018-2022	61,545	-	9,135	-	797,231	456,230	33,541	-
2023-2027	61,545	-	9,135	-	997,971	255,491	33,541	-
2028-2032	61,545	-	9,135	-	609,558	35,064	33,541	-
2033-2037	6,157	-	1,824	-	-	-	33,541	-
2038-2042	-	-	-	-	-	-	21,856	-
<b>Totals</b>	<b>\$252,337</b>	<b>\$ -</b>	<b>\$ 38,364</b>	<b>\$ -</b>	<b>\$3,041,302</b>	<b>\$1,361,407</b>	<b>\$ 189,560</b>	<b>\$ -</b>

Years Ending June 30,	Water & Sewer Loan		Water & Sewer Loan		Water & Sewer Loan		Water & Sewer Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 3,218	\$ 77	\$ 109,066	\$ 2,443	\$ 21,151	\$ 3,516	\$ 49,481	\$ 40,408
2014	-	-	-	-	22,149	2,518	51,236	38,653
2015	-	-	-	-	23,195	1,472	53,054	36,835
2016	-	-	-	-	17,991	399	54,936	34,953
2017	-	-	-	-	-	-	56,885	33,004
2018-2022	-	-	-	-	-	-	255,647	193,780
2023-2027	-	-	-	-	-	-	288,903	160,544
2028-2032	-	-	-	-	-	-	368,968	65,558
<b>Totals</b>	<b>\$ 3,218</b>	<b>\$ 77</b>	<b>\$ 109,066</b>	<b>\$ 2,443</b>	<b>\$ 84,486</b>	<b>\$ 7,905</b>	<b>\$1,179,110</b>	<b>\$ 603,735</b>

Changes in Long-Term Bonds/Loans:

The following is a summary of long-term bonds/loan transactions of the Town of Saint Paul for the year ended June 30, 2012:

	INSTALLMENT NOTES		REVENUE BONDS	
	Water/Sewer Notes	Water/Sewer Notes	Water/Sewer Bond	Water/Sewer Bond
Bonds/loans payable at July 01, 2011	\$ 104,664	\$ 9,658	\$ 264,646	\$ 40,190
Issuances	-	-	-	-
Retirements	( 20,178)	( 6,440)	( 12,309)	( 1,826)
<b>Bonds/loans payable at June 30, 2012</b>	<b>\$ 84,486</b>	<b>\$ 3,218</b>	<b>\$ 252,337</b>	<b>\$ 38,364</b>
	REVENUE BONDS		INSTALLMENT NOTES	
	Water/Sewer Bond	Water/Sewer Bond	Water/Sewer Notes	
Bonds/loans payable at July 01, 2011	\$ 3,152,047	\$ 196,211	\$ -	
Issuances	-	-	1,200,000	
Retirements	( 110,744)	( 6,651)	( 20,890)	
<b>Bonds/loans payable at June 30, 2012</b>	<b>\$ 3,041,302</b>	<b>\$ 189,560</b>	<b>\$ 1,179,110</b>	
	INSTALLMENT NOTES		TOTALS	
	Water/Sewer Notes			
Bonds/loans payable at June 30, 2011	\$ 259,066		\$ 4,026,482	
Issuances	429,200		1,629,200	
Retirements	( 579,200)		( 758,240)	
<b>Bonds/loans payable at June 30, 2012</b>	<b>\$ 109,066</b>		<b>\$ 4,897,442</b>	

June 30, 2012

8. **LONT-TERM DEBT (Continued)**  
Changes in Other Long-Term Debt:

The following is a summary of other long-term debt transactions of the Town of Saint Paul for the year ended June 30, 2012:

	<u>Compensated Absences</u>	
	<u>Governmental</u> <u>Fund Types</u>	<u>Propriety</u> <u>Fund Types</u>
Payable at July 01, 2011	\$ 32,193	\$ 24,280
Additions	22,576	10,178
Reductions	( 19,708)	( 10,530)
Payable at June 30, 2012	<u>\$ 35,061</u>	<u>\$ 23,928</u>

Details of Long-Term Indebtedness:

Enterprise Fund:

Water & Sewer

Bonds and Obligations:

\$3,300,000 Bond Payable to Miners Exchange Bank, issued on January 11, 2010, payable in monthly installments of \$20,909 at 4.5% interest. Final principal payment is due on January 15, 2030. \$ 3,041,302

\$200,000 Bond Payable to Virginia Resources Authority, issued on June 23, 2010, at 0% interest. At June 30, 2011 the total disbursement of loan proceeds totaled \$199,537. 189,560

118,500 Note payable to Farmers Home Administration, issued on May 15, 1973, due in annual installments of \$6,963, including interest at 5.0% Final payment of principal is due May 15, 2013. 3,218

\$373,157 Bond payable to Virginia Department of Health and Community Development, issued December 11, 2001, due in semi-annual installments of \$6,155 at 0% interest rate. Final payment of principal is due October 1, 2032. 252,337

\$54,845 Bond payable to Virginia Department of Health and Community Development, issued August 9, 2002, due in semi-annual installments of \$920 at 0% interest rate. Final payment of principal is due May 1, 2033. 38,364

\$109,565 Note Payable to Zion Financial issued on March 1, 2011, payable in monthly installments of \$6,167 at 4.620% interest. Final principal payment is due on March 1, 2016. 84,486

\$500,000 Revenue Anticipation Note payable to First Bank & Trust, issued on December 9, 2010, at 4.50% interest. At June 30, 2011 the total disbursement of loan proceeds totaled \$259,066. 109,066

\$1,200,000 Bond payable to First Bank & Trust, issued January 20, 2012 Payable in monthly installments of \$7,491 at interest varying from 3.45% to 5.85%. Final payment of principal is due January 19, 2030. 1,179,110

TOTAL ENTERPRISE FUNDS LONG-TERM DEBT

\$ 4,897,442

June 30, 2012

9. **CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES**

**PRIMARY GOVERNMENT**

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principals for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences.

Town employees earn general leave at the rate of 1 ¼ days to 2 ¼ day per month depending on length of service. The maximum leave carryover can be no more than 120 days. The Town has outstanding accrued vacation pay totaling \$37,742 in the General Fund and \$25,578 in the Water and Sewer Fund.

10. **FUND BALANCES—GOVERNMENTAL FUNDS**

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:			
Prepaid items	\$ —	\$ —	\$ —
Restricted:			
Parks & Recreation	109,244	—	109,244
Committed:			
Lake Estonoa	16,847	—	16,847
General Administrative	585,374	—	585,374
Community Development	—	873	873
Assigned:	—	—	—
Unassigned	289,411	—	289,411
Total fund balances	<u>\$ 1,000,876</u>	<u>\$ 873</u>	<u>\$ 1,001,749</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the finance committee has provided otherwise in its commitment or assignment actions.

June 30, 2012

11. **DEFINED BENEFIT PENSION PLAN**

A. Plan Description

Name of Plan: Town of Saint Paul, Virginia, Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
Administering Entity: Virginia Retirement System (System)

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

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

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

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

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

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

June 30, 2012

11. **DEFINED BENEFIT PENSION PLAN (Continued)**

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the Town of Saint Paul, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2011 was 8.46% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2012, the Town of Saint Paul's annual pension cost of \$77,031 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (b) projected salary increases of 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

**PRIMARY GOVERNMENT:**

Trend Information for the Town of Saint Paul, Virginia:

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2012	\$77,031	100%	\$ -0-
June 30, 2011	75,316	100	-0-
June 30, 2010	71,351	100	-0-

**REQUIRED SUPPLEMENTARY INFORMATION**  
 Schedule of Funding Progress for the Town of Saint Paul, Virginia

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded Actuarial Accrued Liability <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
June 30, 2011	\$1,312,928	\$1,851,205	\$538,277	70.9%	\$560,247	96.0%
June 30, 2010	1,228,031	1,701,086	473,055	72.2	537,367	88.0
June 30, 2009	1,162,099	1,470,251	308,152	79.0	481,860	64.0

12. **OTHER POST-EMPLOYMENT BENEFITS**

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town of St. Paul adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. Recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

June 30, 2012

12. **OTHER POST-EMPLOYMENT BENEFITS(Continued)**

The Town meets the requirements to use the alternative measurement method and elects to use the alternative measurement method.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2011, the Town's annual OPEB costs of \$11,741 for governmental activities and \$6,282 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Annual required contribution	\$ 13,683	\$ 7,322	\$21,005
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost	\$ 13,683	\$ 7,322	\$21,005
Contributions made (Age Adjusted)	( 1,942)	( 1,040)	( 2,982)
Increase in net OPEB obligation	11,741	6,282	18,023
Net OPEB obligation-beginning of year	<u>23,482</u>	<u>12,564</u>	<u>36,046</u>
Net OPEB obligation-end of year	<u>\$ 35,223</u>	<u>\$ 18,846</u>	<u>\$ 54,069</u>

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 11,741	0%	\$ 23,482

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 6,282	0%	\$ 12,564

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

June 30, 2012

12. **OTHER POST-EMPLOYMENT BENEFITS (Continued)**

REQUIRED SUPPLEMENTARY INFORMATION  
 Schedule of Funding Progress for the Town of St. Paul, Virginia

Activity Type	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental	\$ -0-	\$ 98,394	\$ 98,394	0.00%	\$ 419,282	23.47%
Business-type	\$ -0-	\$ 52,656	\$ 52,656	0.00%	\$ 224,381	23.47%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type 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.

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 61 which is the historical average age of retirement for employees of the Town. Active employees age 61 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 3.0 and an investment rate of return of 3.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 20 years. The remaining amortization period at June 30, 2010 is 19 years.

Plan Description

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The Town may change, add or delete coverage as they deem appropriate and with the approval of the Town Council. The plan does not grant retirees vested health benefits.

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. The Town pays 100% of the premium based on the following parameters:

- 1) Employees with 20 or more years of continuous service at retirement receive medical and dental insurance coverage for a maximum of three years.
- 2) There is no coverage for dependents.

June 30, 2012

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12. ***OTHER POST-EMPLOYMENT BENEFITS (Continued)***

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2011, the Town had not designated any funding for the OPEB liability.

13. ***DEFERRED REVENUE***

Deferred 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. Deferred revenue totaling \$18,153 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$18,153 at June 30, 2012.

14. ***COMMITMENTS AND CONTINGENCIES***

Litigation

In regard to litigation involving the Town of Saint Paul, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

15. ***SURETY BONDS***

The Town of Saint Paul has a blanket bond with Virginia Municipal Liability Pool covering general liability, public officials, and law enforcement with a \$1,000,000 occurrence limit. The Town has an additional \$100,000 crime and bond coverage for the Town's treasurer functions.



TOWN OF SAINT PAUL, VIRGINIA  
 GOVERNMENTAL FUND REVENUES  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND:</b>				
<b>Revenue from Local Sources:</b>				
<b>General Property Taxes:</b>				
Real property taxes	\$ 846,205	\$ 976,205	\$ 979,962	\$ 3,757
Real and personal public service corporation property taxes	-	-	-	-
Personal property taxes	83,800	119,800	121,726	1,926
Machinery and tools taxes	-	-	-	-
Penalties and interest	500	500	380	(120)
Total General Property Taxes	<u>930,505</u>	<u>1,096,505</u>	<u>1,102,068</u>	<u>5,563</u>
<b>Other Local Taxes:</b>				
Local sales and use taxes	54,000	54,000	61,169	7,169
Cigarette taxes	25,000	25,000	22,470	(2,530)
Utility taxes	52,000	52,000	35,227	(16,773)
Business licenses taxes	126,250	126,250	141,864	15,614
Franchise license taxes	-	-	-	-
Communication taxes	-	-	-	-
Motor vehicle licenses	8,900	8,900	8,154	(746)
Bank stock taxes	37,000	37,000	37,647	647
Hotel and motel room taxes	-	-	-	-
Restaurant food taxes	175,000	175,000	189,542	14,542
Coal road improvement taxes	136,000	136,000	163,182	27,182
Total Other Local Taxes	<u>614,150</u>	<u>614,150</u>	<u>659,255</u>	<u>45,105</u>
<b>Permits, Privilege Fees, And Regulatory Licenses</b>	<u>1,200</u>	<u>1,200</u>	<u>1,010</u>	<u>(190)</u>
<b>Fines and Forfeitures</b>	<u>17,000</u>	<u>17,000</u>	<u>12,679</u>	<u>(4,321)</u>
<b>Revenue From Use Of Money and Property:</b>				
Revenue from use of money	5,000	5,000	4,685	(315)
Revenue from use of property	4,800	4,800	6,400	1,600
Total Revenue From Use of Money and Property	<u>9,800</u>	<u>9,800</u>	<u>11,085</u>	<u>1,285</u>
<b>Charges For Services:</b>				
Charges for sanitation and waste removal	200	200	375	175
Charges for parks and recreation	2,000	2,000	3,500	1,500
Swimming pool	12,000	12,000	31,697	19,697
Total Charges For Services	<u>14,200</u>	<u>14,200</u>	<u>35,572</u>	<u>21,372</u>
<b>Miscellaneous Revenue</b>	<u>14,300</u>	<u>29,300</u>	<u>29,414</u>	<u>114</u>
<b>Recovered Costs</b>	<u>-</u>	<u>-</u>	<u>673</u>	<u>673</u>
Total Revenue From Local Sources	<u>\$ 1,601,155</u>	<u>\$ 1,782,155</u>	<u>\$ 1,851,756</u>	<u>\$ 69,601</u>

**TOWN OF SAINT PAUL, VIRGINIA**  
**GOVERNMENTAL FUND REVENUES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2012

SCHEDULE 1  
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue From The Commonwealth:</b>				
<b>Non-Categorical Aid:</b>				
ABC profits	-	-	-	\$ -
Wine taxes	-	-	-	-
Mobile home titling taxes	250	250	150	(100)
Rolling stock taxes	5,400	5,400	5,173	(227)
Assistance to localities with police departments	23,025	23,025	23,024	(1)
Total Non-Categorical Aid	<u>28,675</u>	<u>28,675</u>	<u>28,347</u>	<u>(328)</u>
<b>Other Categorical Aid:</b>				
Street and highway maintenance	-	-	-	-
Litter control	1,000	1,000	765	(235)
Financial assistance to the arts	1,500	1,500	1,500	-
Tobacco Indemnification	100,000	100,000	99,528	(472)
Community Revitalization	350,000	350,000	-	(350,000)
Farmers Market-ADS Grant	1,500	1,500	700	(800)
Farmers Market-EBT Grant	-	-	2,030	2,030
Disaster Recovery Grant	-	-	510	510
IDA grant	-	-	159	159
DMV grant	9,000	9,000	5,233	(3,767)
Fire programs fund	8,000	8,000	16,000	8,000
Total Other Categorical Aid	<u>471,000</u>	<u>471,000</u>	<u>126,425</u>	<u>(344,575)</u>
Total Revenue From The Commonwealth	<u>499,675</u>	<u>499,675</u>	<u>154,772</u>	<u>(344,903)</u>
<b>Revenue From The Federal Government:</b>				
<b>Payment In Lieu of Taxes:</b>				
Payment in lieu of property taxes	5,400	5,400	5,210	(190)
Total Payment in Lieu of Taxes	<u>5,400</u>	<u>5,400</u>	<u>5,210</u>	<u>(190)</u>
<b>Categorical Aid:</b>				
USDA	10,000	10,000	3,412	(6,588)
TVA-Reimbursement	1,500	1,500	-	(1,500)
Emergency Response Grant-ARC	-	-	1,740	1,740
LLEBG-Block Grant	500	500	1,291	791
Total Categorical Aid	<u>12,000</u>	<u>12,000</u>	<u>6,443</u>	<u>(5,557)</u>
Total Revenue From The Federal Government	<u>17,400</u>	<u>17,400</u>	<u>11,653</u>	<u>(5,747)</u>
<b>Prior Years Surplus</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL GENERAL FUND</b>	<u>2,118,230</u>	<u>2,299,230</u>	<u>2,018,181</u>	<u>(281,049)</u>
<b>SPECIAL REVENUE FUNDS:</b>				
<b>Veteran's Memorial Wall</b>				
<b>Revenue From Local Sources:</b>				
Revenue from Use of Money and Property:	10	10	6	(4)
Transfers in (out)	-	-	10,690	10,690
Miscellaneous	2,050	2,050	7,837	5,787
Total Revenue Veteran's Memorial Wall	<u>2,060</u>	<u>2,060</u>	<u>18,533</u>	<u>16,473</u>
Total Special Revenue Funds	<u>2,060</u>	<u>2,060</u>	<u>18,533</u>	<u>16,473</u>
<b>GRAND TOTALS - REVENUES - GOVERNMENTAL FUNDS</b>	<u>\$ 2,120,290</u>	<u>\$ 2,301,290</u>	<u>\$ 2,036,714</u>	<u>\$ (264,576)</u>

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

**TOWN OF SAINT PAUL, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>PRIMARY GOVERNMENT</u></b>				
<b>GENERAL FUND:</b>				
<b>General Government Administration:</b>				
<b>Legislative:</b>				
Mayor	\$ 1,200	\$ 1,200	\$ 1,200	\$ -
Total Legislative	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
<b>General and Financial Administration:</b>				
Salaries and Wages	117,657	117,657	108,947	8,710
Payroll taxes	8,862	8,862	9,633	(771)
Health insurance	29,316	29,316	31,479	(2,163)
Retirement	12,950	12,950	12,954	(4)
Insurance-Worker's Compensation	138	138	171	(33)
Other Employee Benefits	270	270	270	-
Legal fees	7,000	37,000	4,494	32,506
Accounting	3,000	3,000	2,500	500
Audit expense	10,000	10,000	10,500	(500)
Dues, Licenses & Fees	7,500	7,500	6,954	546
Advertising	3,000	3,000	2,944	56
Computer Software	7,500	7,500	6,321	1,179
Insurance-General Liability	2,600	2,600	2,507	93
Insurance-Bond Coverage	350	350	313	37
Miscellaneous	9,100	9,100	12,744	(3,644)
Supplies & Equipment	10,000	10,000	6,287	3,713
Town Election Expense	2,200	2,200	2,238	(38)
Telephone	7,900	7,900	8,816	(916)
Travel, Lodging & Entertainment	12,000	12,000	8,563	3,437
Tax Ticket Preparation	200	200	628	(428)
Tax Credit-WC IDA	375,602	440,702	440,704	(2)
Cigarette Tax Costs	2,400	2,400	2,266	134
Total General and Financial Administration	<u>629,545</u>	<u>724,645</u>	<u>682,233</u>	<u>42,412</u>
Total General Government Administration	<u>630,745</u>	<u>725,845</u>	<u>683,433</u>	<u>42,412</u>
<b>Public Safety:</b>				
<b>Law Enforcement and Traffic Control:</b>				
Salaries and Wages	185,448	185,448	193,909	(8,461)
Payroll taxes	15,005	15,005	14,593	412
Health insurance	39,875	39,875	39,623	252
Retirement	21,340	21,340	19,299	2,041
Insurance-Worker's Compensation	5,079	5,079	3,755	1,324
Other Employee benefits	440	440	401	39
Uniforms	1,000	1,000	1,123	(123)
Legal Fees	970	970	2,751	(1,781)
Dues, Licenses & Fees	1,650	1,650	1,425	225
Liability Insurance	2,600	2,600	2,507	93
Materials and Supplies	9,000	9,000	5,635	3,365
Materials and Supplies-Christmas Toy Drive	2,500	2,500	3,799	(1,299)
Training and Education	1,800	1,800	930	870
Telephone	1,400	1,400	1,916	(516)
Utilities	5,000	5,000	4,488	512
Miscellaneous	3,300	3,300	9,351	(6,051)
Vehicle Expense	31,250	31,250	24,838	6,412
Line of Duty expense	-	1,000	1,169	(169)
Capital Outlay	9,000	9,000	-	9,000
Total Law Enforcement and Traffic Control	<u>336,657</u>	<u>337,657</u>	<u>331,512</u>	<u>6,145</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF SAINT PAUL, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2012

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Fire and Rescue Services:</b>				
Compensation of Firemen	-	-	135	(135)
Vehicle expense	1,200	1,200	2,741	(1,541)
Insurance	4,900	4,900	4,914	(14)
Fire programs	8,000	8,000	8,000	-
Supplies	500	500	82	418
Utilities	2,100	2,100	201	1,899
Miscellaneous	-	-	134	(134)
Total Fire and Rescue Services	<u>16,700</u>	<u>16,700</u>	<u>16,207</u>	<u>493</u>
Total Public Safety	<u>353,357</u>	<u>354,357</u>	<u>347,719</u>	<u>6,638</u>
<b>Public Works:</b>				
<b>Maintenance of Highways, Streets, Bridges and Sidewalks:</b>				
Salaries and Wages	161,480	161,480	186,398	(24,918)
Payroll taxes	13,108	13,108	13,799	(691)
Health insurance	48,860	48,860	44,366	4,494
Retirement	22,349	22,349	17,501	4,848
Insurance-Worker's Compensation	7,825	7,825	4,780	3,045
Other employee benefits	475	475	364	111
Uniforms	3,500	3,500	4,273	(773)
Miscellaneous	-	-	-	-
Contract labor	-	-	-	-
Litter Control	1,000	1,000	1,013	(13)
Materials & Supplies	12,000	19,500	10,004	9,496
Telephone	1,500	1,500	909	591
Utilities	25,000	25,000	24,317	683
Inmate expense	1,800	1,800	1,486	314
Vehicle expense	31,550	31,550	37,124	(5,574)
Capital Outlay	-	-	-	-
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>330,447</u>	<u>337,947</u>	<u>346,334</u>	<u>(8,387)</u>
<b>Maintenance of General Buildings and Grounds:</b>				
Wages-Custodial	6,524	6,524	6,609	(85)
Materials & Supplies	2,500	2,500	1,538	962
Insurance-Buildings and Property	2,700	2,700	4,120	(1,420)
Capital Outlay-Town Hall Building	-	-	-	-
Total Maintenance of General Buildings and Grounds	<u>11,724</u>	<u>11,724</u>	<u>12,267</u>	<u>(543)</u>
Total Public Works	<u>342,171</u>	<u>349,671</u>	<u>358,601</u>	<u>(8,930)</u>
<b>Parks, Recreation and Cultural:</b>				
Salaries and Wages	14,775	14,775	25,734	(10,959)
Payroll Taxes	1,405	1,405	2,377	(972)
Insurance-Worker's Compensation	155	155	341	(186)
Miscellaneous	6,000	7,300	7,990	(690)
Concessions	6,000	6,000	11,666	(5,666)
Maintenance & Repairs	4,500	5,500	10,481	(4,981)
Materials & supplies	3,200	3,200	4,380	(1,180)
Telephone	550	550	674	(124)
Utilities	9,400	9,400	8,414	986
Total Parks and Recreation	<u>45,985</u>	<u>48,285</u>	<u>72,057</u>	<u>(23,772)</u>

**TOWN OF SAINT PAUL, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON SCHEDULE**

SCHEDULE 2  
Page 3

Year Ended June 30, 2012

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Cultural Enrichment:</b>				
Pro-Art	3,000	3,000	3,000	-
Fourth of July Celebration	4,000	4,000	6,116	(2,116)
Civic-Little League	1,000	1,000	1,000	-
Miscellaneous	420	420	2,021	(1,601)
Total Cultural Enrichment	<u>8,420</u>	<u>8,420</u>	<u>12,137</u>	<u>(3,717)</u>
<b>Library:</b>				
Payments to regional library	<u>5,000</u>	<u>5,000</u>	<u>6,771</u>	<u>(1,771)</u>
Total Parks, Recreation and Cultural	<u>59,405</u>	<u>61,705</u>	<u>90,965</u>	<u>(29,260)</u>
<b>Community Development:</b>				
Lake Estonoa Learning Center	3,000	3,000	8,528	(5,528)
Farmers Market	113,950	113,950	127,017	(13,067)
Community development	<u>355,000</u>	<u>365,000</u>	<u>9,242</u>	<u>355,758</u>
Total Planning and Community Development	<u>471,950</u>	<u>481,950</u>	<u>144,787</u>	<u>337,163</u>
Total Community Development	<u>471,950</u>	<u>481,950</u>	<u>144,787</u>	<u>337,163</u>
<b>Non-Departmental</b>				
Contingency	<u>275,602</u>	<u>340,702</u>	<u>-</u>	<u>340,702</u>
Total Non-Departmental	<u>275,602</u>	<u>340,702</u>	<u>-</u>	<u>340,702</u>
<b>Debt Service:</b>				
Principal retirement	-	-	-	\$ -
Interest	-	-	-	-
Total Non-Departmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL GENERAL FUND</b>	<u>2,133,230</u>	<u>2,314,230</u>	<u>1,625,505</u>	<u>688,725</u>
<b>GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS</b>	<u>\$ 2,133,230</u>	<u>\$ 2,314,230</u>	<u>\$ 1,625,505</u>	<u>\$ 688,725</u>
<b>OTHER FINANCING RESOURCES (USES):</b>				
Sale of property	-	-	-	-
Insurance recoveries	-	-	6,932	6,932
Transfers in (out)	<u>15,000</u>	<u>15,000</u>	<u>(690)</u>	<u>(15,690)</u>
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>6,242</u>	<u>(8,758)</u>
Net Increase (Decrease) in General Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398,918</u>	<u>\$ 398,918</u>
<b>SPECIAL REVENUE FUNDS:</b>				
<b>Veteran's Memorial Wall</b>				
Miscellaneous	<u>2,060</u>	<u>2,060</u>	<u>18,390</u>	<u>16,330</u>
Total Revenue Veteran's Memorial Wall	<u>2,060</u>	<u>2,060</u>	<u>18,390</u>	<u>16,330</u>
Total Special Revenue Funds Expenditures	<u>2,060</u>	<u>2,060</u>	<u>18,390</u>	<u>16,330</u>
<b>Grand Total Expenditures-Governmental Funds</b>	<u>2,150,290</u>	<u>2,331,290</u>	<u>1,650,137</u>	<u>696,297</u>
<b>Net Increase (Decrease) in Governmental Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 399,061</u>	<u>\$ 399,061</u>

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

**TOWN OF SAINT PAUL, VIRGINIA**  
**ENTERPRISE FUND REVENUES EXPENSES**  
**BUDGETARY COMPARISON SCHEDULE**  
June 30, 2012

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES:</b>				
Charges for Services:				
Water Services	523,546	523,546	525,188	\$ 1,642
Sewer Services	297,044	297,044	321,569	24,525
Garbage Services	89,000	89,000	90,346	1,346
Penalties	5,000	5,000	6,246	1,246
Other Income	1,000	1,000	257	(743)
<b>TOTAL OPERATING REVENUES</b>	<u>915,590</u>	<u>915,590</u>	<u>943,606</u>	<u>28,016</u>
<b>OPERATING EXPENSES:</b>				
<b>Water Department:</b>				
Salaries & Wages	94,943	94,943	111,222	(16,279)
Payroll Taxes	7,707	7,707	8,913	(1,206)
Retirement	13,220	13,220	12,650	570
Insurance - Health	28,512	28,512	31,666	(3,154)
Insurance - Workmens Compensation	3,768	3,768	2,321	1,447
Contract Labor	-	-	-	-
Audit Fees	2,000	2,000	1,000	1,000
Chemicals	22,000	22,000	19,106	2,894
Miscellaneous	2,475	2,475	2,816	(341)
Fuel, Oil & Gas	1,200	1,200	2,105	(905)
Insurance-Buildings & Property	7,900	7,900	9,135	(1,235)
Insurance-Vehicles	4,250	4,250	6,350	(2,100)
Licenses, Permits & Fees	9,650	9,650	6,754	2,896
Loan Expenses	20,776	20,776	-	20,776
Office Equipment & Supplies	17,500	17,500	9,845	7,655
Postage	2,700	2,700	2,331	369
Repairs & Maintenance	15,000	15,000	29,802	(14,802)
Utilities	32,000	32,000	34,401	(2,401)
Uniforms	4,000	4,000	4,616	(616)
<b>TOTAL WATER DEPARTMENT</b>	<u>289,601</u>	<u>289,601</u>	<u>295,033</u>	<u>(5,432)</u>
<b>Sewer Department:</b>				
Salaries & Wages	99,800	99,800	108,740	(8,940)
Payroll Taxes	7,702	7,702	7,866	(164)
Retirement	8,953	8,953	9,514	(561)
Insurance - Health	24,736	24,736	26,783	(2,047)
Insurance - Workmens Compensation	1,281	1,281	1,741	(460)
Contract Labor	-	-	-	-
Audit Fees	2,700	2,700	1,500	1,200
Chemical Testing	2,000	2,000	17,496	(15,496)
Miscellaneous	9,340	9,340	624	8,716

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

**TOWN OF SAINT PAUL, VIRGINIA**  
**ENTERPRISE FUND REVENUES EXPENSES**  
**BUDGETARY COMPARISON SCHEDULE**  
 June 30, 2012

SCHEDULE 3  
Page2

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Sewer Department: (Cont.)</b>				
Fuel, Oil & Gas	9,150	9,150	5,407	3,743
Licenses, Permits & Fees	4,700	4,700	3,741	959
Materials & Supplies	5,150	5,150	5,090	60
Repairs & Maintenance	17,000	17,000	8,807	8,193
Utilities	27,000	27,000	25,075	1,925
Testing	-	-	52,404	(52,404)
Capital Outlay	4,698,000	4,698,000	400	4,697,600
<b>TOTAL SEWER DEPARTMENT</b>	<u>4,917,512</u>	<u>4,917,512</u>	<u>275,188</u>	<u>4,642,324</u>
<b>Garbage Department:</b>				
Salaries & Wages	41,959	41,959	49,199	(7,240)
Payroll Taxes	3,506	3,506	3,782	(276)
Retirement	4,219	4,219	4,835	(616)
Insurance - Health	5,281	5,281	6,375	(1,094)
Insurance - Workmens Compensation	1,253	1,253	3,243	(1,990)
Fuel, Oil & Gas	10,000	10,000	17,514	(7,514)
Repairs & Maintenance	6,500	6,500	692	5,808
<b>TOTAL GARBAGE DEPARTMENT</b>	<u>72,718</u>	<u>72,718</u>	<u>85,640</u>	<u>(12,922)</u>
<b>TOTAL OPERATING EXPENSES BEFORE DEPRECIATION</b>	5,279,831	5,279,831	655,861	4,623,970
Depreciation Expense	44,600	44,600	250,620	(206,020)
<b>TOTAL OPERATING EXPENSES</b>	<u>5,324,431</u>	<u>5,324,431</u>	<u>906,481</u>	<u>4,417,950</u>
<b>OPERATING INCOME (LOSS)</b>	(4,408,841)	(4,408,841)	37,125	4,445,966
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest Income	3,500	3,500	2,126	(1,374)
Interest Expense	(3,000)	(3,000)	(172,365)	(169,365)
Connection Fees	700	700	940	240
Contributions-Dominion	-	-	173,033	173,033
Tobacco Commission Grant	150,000	150,000	-	(150,000)
DHCD-Honey Branch Grant	4,548,000	4,548,000	150,000	(4,398,000)
Water Improvement Grant	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>4,699,200</u>	<u>4,699,200</u>	<u>153,734</u>	<u>(4,545,466)</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFER</b>	290,359	290,359	190,859	(99,500)
Operating Transfer In (Out)	(15,000)	(15,000)	(10,000)	5,000
Debt Service	(275,359)	(275,359)	-	275,359
Reappropriation of Retained Earnings	-	-	-	-
<b>TOTAL OPERATING TRANSFERS</b>	<u>(290,359)</u>	<u>(290,359)</u>	<u>(10,000)</u>	<u>280,359</u>
<b>NET INCOME</b>	-	-	180,859	180,859
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	<u>3,406,393</u>	<u>3,406,393</u>	<u>3,406,393</u>	<u>-</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 3,406,393</u>	<u>\$ 3,406,393</u>	<u>\$ 3,587,252</u>	<u>\$ 180,859</u>

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

**TOWN OF SAINT PAUL, VIRGINIA**  
**STATEMENT OF ASSESSED VALUES AND PROPERTY TAX LEVIES**  
 For the Year Ended June 30, 2012

**PROPERTY TAX LEVIES AND COLLECTIONS**

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1)		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS		OUTSTANDING DELINQUENT TAXES (1)	PERCENT OF DELINQUENT TAXES TO TAX LEVY
				TAX (2) COLLECTIONS	TAX (2) COLLECTIONS		OF TAX LEVY	OF TAX LEVY		
2012	1,095,827	1,089,180	99.39%	1,478	1,090,658	99.53%	22,075	2.01%		
2011	885,136	881,649	99.61%	840	882,489	99.70%	27,071	3.06%		
2010	177,790	174,910	98.38%	522	175,432	98.67%	24,378	13.71%		
2009	106,512	101,341	95.15%	485	101,826	95.60%	18,286	17.17%		
2008	103,029	97,954	95.07%	564	98,518	98.83%	15,247	14.80%		
2007	102,398	98,836	96.52%	504	99,340	97.01%	15,442	15.08%		

**ASSESSED VALUE OF TAXABLE PROPERTY**

FISCAL YEAR	REAL ESTATE TAX			PERSONAL PROPERTY			TOTAL
	WISE COUNTY	RUSSELL COUNTY	TOTAL	WISE COUNTY	RUSSELL COUNTY	TOTAL	
2012	531,195,633	12,345,400	543,541,033	36,384,860	1,540,825	37,925,685	
2011	416,670,604	15,261,114	431,931,718	33,122,691	1,606,009	34,728,700	
2010	46,363,725	15,179,596	61,543,321	20,178,308	1,438,495	21,616,803	
2009	31,549,900	15,120,740	46,670,640	5,886,944	1,372,816	7,259,760	
2008	31,758,900	14,254,203	46,013,103	4,982,645	1,422,786	6,405,431	
2007	31,213,633	13,240,840	44,454,473	5,420,406	1,354,147	6,774,553	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



**TOWN OF SAINT PAUL, VIRGINIA**  
**RATIO OF NET GENERAL BONDED DEBT**  
**TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES			
2012	1,000	\$ 543,541	\$ 4,897,442	\$ -	\$ 4,897,442	\$ -	-	-
2011	1,000	431,932	4,026,482	-	4,026,482	-	-	-
2010	1,000	61,543	3,689,895	-	3,685,367	4,528	0.0001	4.53
2009	1,000	46,671	371,147	-	360,470	10,677	0.0002	10.68
2008	1,000	46,013	401,291	-	384,067	17,224	0.0004	17.22
2007	1,000	44,454	447,426	-	406,782	40,644	0.0009	40.64
2006	1,000	43,877	447,442	-	409,804	37,638	0.0009	37.64

Notes:

- (1) Bureau of Census.
- (2) Includes all long-term general obligation debt.

The accompanying notes are an integral part of the financial statements

**TOWN OF SAINT PAUL, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
Year Ended June 30, 2012

SCHEDULE 6

The Charter of the Town of Saint Paul limits the Legal Debt Margin to 10% of the assessed value of real estate within the Town limits.

Assessed value of real estate		<u>\$ 543,541,033</u>
Legal debt limit, 10% of assessed value		54,354,103
Total bonded debt:	\$ 4,897,442	
Less: Water and Sewer revenue bonds	<u>(4,897,442)</u>	
Net bonded debt		<u>-</u>
Legal Debt Margin		<u><u>\$ 54,354,103</u></u>