

TOWN OF SAINT PAUL, VIRGINIA

AUDIT REPORT

Year Ended June 30, 2014

TOWN OF SAINT PAUL, VIRGINIA
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TOWN OF SAINT PAUL, VIRGINIA
TOWN OFFICIALS

June 30, 2014

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:

Julie Hensley, Attorney at Law

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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

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Founded 1948

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Certified Public Accountants
**Virginia & Tennessee Society of
Certified Public Accountant

612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 45 through 49 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 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information and compliance section presented in Schedule 3 thru Schedule 8 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The other supplementary information presented in the exhibits listed in the first paragraph of this section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015 on our consideration of the Town of Saint Paul's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


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

Norton, Virginia
March 6, 2015

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Saint Paul, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Saint Paul, Virginia's basic financial statements, and have issued our report thereon dated March 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2014, we considered the Town'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 Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

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*(Independent Auditor's 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)*

We noted certain matters that we reported to management of the Town of St. Paul, Virginia, in a separate letter dated March 6, 2015.

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 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.

Thrower, Blanton & Associates, P.C.

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

Norton, Virginia
March 6, 2015

THROWER, BLANTON & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Town of St. Paul, Virginia's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Town of St. Paul, Virginia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Town of St. Paul is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of St. Paul, Virginia's internal control over compliance.

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

Page 2

(Independent Auditor's report on Compliance with
Requirements Applicable to Each Major Program and
Internal Control Over Compliance in Accordance with
OMB Circular A-133)

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

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

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



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

Norton, Virginia
March 6, 2015

TOWN OF SAINT PAUL, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2014

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 POSITION
June 30, 2014

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,334,302	\$ 1,019,969	\$ 3,354,271
Receivables:			
Taxes	20,339	-	20,339
Accounts	23,373	96,865	120,238
Other	28	2,787	2,815
Internal Balances	(593,641)	593,641	-
Due from other governmental units	34,218	-	34,218
Prepaid expenses	-	-	-
Restricted Assets:			
Cash	84,708	145,039	229,747
Capital assets, depreciable, net	1,715,859	7,519,919	9,235,778
Capital assets, non-depreciable	170,266	2,775,682	2,945,948
	\$ 3,789,452	\$ 12,153,902	\$ 15,943,354
 <u>LIABILITIES</u>			
Accounts payable	\$ 31,475	\$ 311,945	\$ 343,420
Accrued liabilities and wages	31,107	10,146	41,253
Payable From Restricted Assets:			
Deposits	-	10,700	10,700
Matured revenue interest	-	7,790	7,790
OPEB Liability	70,311	37,870	108,181
Long-term liabilities			
Due within one year	-	424,225	424,225
Due in more than one year	-	5,348,360	5,348,360
Compensated absences			
Due within one year	21,381	13,041	34,422
Due in more than one year	32,071	19,561	51,632
	186,345	6,183,638	6,369,983
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Dominion Diffuser Agreement Advance	-	1,634,615	1,634,615
	-	1,634,615	1,634,615
 <u>NET POSITION</u>			
Net investment in capital assets	1,886,125	4,523,016	6,409,141
Restricted	84,708	-	84,708
Unrestricted	1,632,274	(187,367)	1,444,907
	\$ 3,603,107	\$ 4,335,649	\$ 7,938,756

TOWN OF SAINT PAUL, VIRGINIA

EXHIBIT 2

STATEMENT OF ACTIVITIES

June 30, 2014

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
Governmental Activities:							
General government	\$ 569,573	\$ -	\$ -	\$ -	\$ (569,573)	\$ -	\$ (569,573)
Public safety	496,860	-	41,024	2,838	(452,998)	-	(452,998)
Public works	431,595	100	1,060	-	(430,435)	-	(430,435)
Parks, recreation, and cultural	222,950	28,421	-	-	(194,529)	-	(194,529)
Community development	291,265	-	-	327,040	35,775	-	35,775
Interest on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>2,012,243</u>	<u>28,521</u>	<u>42,084</u>	<u>329,878</u>	<u>(1,611,760)</u>	<u>-</u>	<u>(1,611,760)</u>
Business-Type Activities:							
Water and Sewer	<u>1,283,244</u>	<u>1,091,276</u>	<u>-</u>	<u>309,001</u>	<u>-</u>	<u>117,033</u>	<u>117,033</u>
Total Business-Type Activities	<u>1,283,244</u>	<u>1,091,276</u>	<u>-</u>	<u>309,001</u>	<u>-</u>	<u>117,033</u>	<u>117,033</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,295,487</u>	<u>\$ 1,119,797</u>	<u>\$ 42,084</u>	<u>\$ 638,879</u>	<u>\$ (1,611,760)</u>	<u>\$ 117,033</u>	<u>\$ (1,494,727)</u>

General Revenues:

Property taxes	2,535,322	-	2,535,322
Local sales & use tax	45,634	-	45,634
Utility tax	57,275	-	57,275
Business license tax	121,667	-	121,667
Lodging taxes	521	-	521
Motor vehicle license	6,674	-	6,674
Bank stock tax	32,160	-	32,160
Cigarette tax	23,202	-	23,202
Restaurant food tax	208,492	-	208,492
Coal road improvement tax	53,283	-	53,283
Unrestricted intergovernmental revenue	9,383	-	9,383
Unrestricted investment earnings	5,734	9,202	14,936
Rental of Town property	5,350	-	5,350
Gain on sale of capital assets	4,069	-	4,069
Recovered Costs	4,199	-	4,199
Transfers-Primay Government	(110,000)	110,000	-
Other	186,011	1,955	187,966
Total general revenues and transfers	<u>3,188,976</u>	<u>121,157</u>	<u>3,310,133</u>
Change in net position	1,577,216	238,190	1,815,406
NET POSITION - JULY 1	<u>2,025,891</u>	<u>4,097,459</u>	<u>6,123,350</u>
NET POSITION - JUNE 30	<u>\$ 3,603,107</u>	<u>\$ 4,335,649</u>	<u>\$ 7,938,756</u>

TOWN OF SAINT PAUL, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

EXHIBIT 3

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,331,405	\$ 2,897	\$ 2,334,302
Receivables:			
Taxes	20,339	-	20,339
Accounts	23,373	-	23,373
Other	28	-	28
Prepaid expenses	-	-	-
Due From other funds	8,359	-	8,359
Due from other governmental units	34,218	-	34,218
Restricted Assets:			
Cash	84,708	-	84,708
Total Assets	\$ 2,502,430	\$ 2,897	\$ 2,505,327
LIABILITIES			
Accounts payable	30,941	-	30,941
Accrued payroll and related liabilities	31,107	-	31,107
Due to Others	534	-	534
Due to Other Funds	600,000	2,000	602,000
Total Liabilities	662,582	2,000	664,582
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	19,933	-	19,933
Total Deferred Inflows of Resources	19,933	-	19,933
FUND BALANCES			
Non-Spendable	-	-	-
Restricted	84,130	-	84,130
Committed	14,135	897	15,032
Assigned	-	-	-
Unassigned	1,721,650	-	1,721,650
Total Fund Balances	1,819,915	897	1,820,812
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 2,502,430	\$ 2,897	\$ 2,505,327
Total Fund Balances	\$ 1,820,812		
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	1,886,125		
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	19,933		
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(123,763)		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	-		
Net Position of Governmental Activities	\$ 3,603,107		

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2014

EXHIBIT 4

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES:			
General property taxes	\$ 2,534,658	\$ -	\$ 2,534,658
Other local taxes	548,908	-	548,908
Permits, privilege fees and regulatory licenses	2,070	-	2,070
Fines and forfeitures	25,275	-	25,275
Revenue from use of money and property	11,077	7	11,084
Charges for services	28,521	-	28,521
Miscellaneous	158,666	-	158,666
Recovered costs	-	-	-
Intergovernmental	381,345	-	381,345
Total Revenues	<u>3,690,520</u>	<u>7</u>	<u>3,690,527</u>
EXPENDITURES:			
Current:			
General government administration	755,880	-	755,880
Public safety	503,804	-	503,804
Public works	440,272	-	440,272
Parks, recreation and cultural	194,055	-	194,055
Community development	565,323	-	565,323
Debt Service:			
Principle retirement	-	-	-
Interest	-	-	-
Total Expenditures	<u>2,459,334</u>	<u>-</u>	<u>2,459,334</u>
Excess (Deficiency) of Revenues Over Expenditures	1,231,186	7	1,231,193
OTHER FINANCING SOURCES (USES):			
Sale of property	4,069	-	4,069
Insurance recoveries	4,199	-	4,199
Transfers in (out)	<u>(110,000)</u>	<u>-</u>	<u>(110,000)</u>
Total Other Financing Sources (Uses)	(101,732)	-	(101,732)
Net Change in Fund Balance	1,129,454	7	1,129,461
FUND BALANCE AT JULY 1	<u>690,461</u>	<u>890</u>	<u>691,351</u>
FUND BALANCE AT JUNE 30	<u>\$ 1,819,915</u>	<u>\$ 897</u>	<u>\$ 1,820,812</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, 2014

EXHIBIT 5

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	\$ 1,129,461
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.	466,112
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.	664
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>(19,021)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,577,216</u>

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

EXHIBIT 6

	Business-Type Activities Proprietary Funds
	Water & Sewer Operation
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,019,969
Receivables (Net of Allowance for Uncollectibles):	
Accounts	96,865
Accrued interest	2,787
Grant Receivable	-
Prepaid expenses	-
Internal receivables	600,000
Restricted Assets:	
Cash	145,039
Capital assets, non-depreciable	2,775,682
Capital assets, depreciable, net	7,519,919
TOTAL ASSETS	\$ 12,160,261
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	311,945
Accrued wages and liabilities	10,146
Payable From Restricted Assets:	
Customer deposits	10,700
Accrued interest payable	7,790
Due to Other Funds	6,359
Internal payables	-
Revenue bond payable	424,225
Compensated absences	13,041
Total Current Liabilities	784,206
Noncurrent liabilities:	
Revenue bond payable	5,348,360
OPEB Liability	37,870
Compensated absences	19,561
Total Noncurrent Liabilities	5,405,791
Total Liabilities	6,189,997
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Dominion Diffuser Agreement Advance	1,634,615
Total Deferred Inflows of Resources	1,634,615
 <u>NET POSITION</u>	
Net investment in capital assets	4,523,016
Restricted	-
Unrestricted (deficit)	(187,367)
Total Net Position	4,335,649
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 12,160,261

TOWN OF SAINT PAUL, VIRGINIA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2014

EXHIBIT 7

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Water rents	686,181
Sewer rents	277,096
Garbage services	85,696
Penalties	9,608
Other income	32,695
	1,091,276
Total Operating Revenues	1,091,276
OPERATING EXPENSES:	
Personal services	328,205
Fringe benefits	135,857
Contractual services	36,516
Other charges	320,387
Depreciation and amortization	288,472
	1,109,437
Total Operating Expenses	1,109,437
Operating Income (Loss)	(18,161)
NON-OPERATING REVENUES (EXPENSES) :	
Connection fees	1,955
Grant revenue	309,001
Interfund transfers	110,000
Interest income	9,202
Interest expense	(173,807)
	256,351
Total Non-Operating Revenue (Expenses)	256,351
CHANGE IN NET POSITION	238,190
NET POSITION AT JULY 1	4,097,459
NET POSITION AT JUNE 30	\$ 4,335,649

TOWN OF SAINT PAUL, VIRGINIA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2014

EXHIBIT 8

	PROPRIETARY FUNDS
	Water & Sewer Operation
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,057,661
Cash payments to suppliers for goods and services	(218,477)
Cash payments to employees for services	(327,827)
Other operating income	32,695
NET CASH PROVIDED BY OPERATING ACTIVITIES	544,052
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Increase (decrease) in customer deposits	800
(Increase) decrease in due from other funds	106,359
Operating transfers from other funds	110,000
Operating transfers to other funds	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	217,159
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
(Increase) decrease in capital assets	(345,067)
(Increase) decrease in construction in progress	(2,043,570)
Principal paid on revenue bond maturities and equipment contracts	(802,459)
Principal advances from bond and note proceeds	1,992,462
Contributed capital - Grant revenue	310,918
Connection fees collected	1,955
Interest paid on revenue bonds and equipment contracts	(173,472)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,059,233)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	8,324
NET CASH PROVIDED BY INVESTING ACTIVITIES	8,324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(289,698)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,454,706
 Cash and Cash Equivalents at June 30, 2014	
Unrestricted	\$ 1,019,969
Restricted	145,039
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,165,008
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (18,161)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	288,472
Provision for compensated absences	1,394
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	31,773
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable	264,771
Increase (decrease) in OPEB liability	9,512
Increase (decrease) in deferred inflow of resources	(32,693)
Increase (decrease) in wages payable and payroll liabilities	(1,016)
TOTAL ADJUSTMENTS	562,213
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 544,052

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 POSITION
Year Ended June 30, 2014**

EXHIBIT 9

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,021
Capital asset, depreciable, net	2,137
TOTAL ASSETS	<u>3,158</u>
<u>NET POSITION</u>	
Funds held for Johnnie Ramy Memorial Fund	<u>\$ 3,158</u>

TOWN OF SAINT PAUL, VIRGINIA
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014

EXHIBIT 10

	Agency Fund
Additions	
Donations	\$ -
Interest income	2
Total additions	2
Deductions	
Operating deductions	-
Total deductions	-
Change in net position	2
Net position - beginning of year	3,156
Net position - end of year	\$ 3,158

June 30, 2014

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 position and the statement of changes in net position) 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.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014.

Encumbrances and Commitments

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Generally, all unencumbered appropriations lapse at year end, except those for capital projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

Investments

No investments existed as of June 30, 2014. Certificates of Deposit with maturities of three months or greater are recorded on Exhibit 1 under the title Cash and cash equivalents and treated as cash equivalents.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 \$15,939 at June 30, 2014, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	<u>\$ 2,260</u>
Total General Fund	<u>\$ 2,260</u>
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	<u>\$ 13,679</u>
Total Water and Sewer Fund	<u>\$ 13,679</u>

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).

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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	41%
Carter Bank	55%

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, 2014, 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	\$ 449
Deposits	2,508,564
Investments	<u>1,075,005</u>
	<u>\$ 3,584,018</u>

Statement of net position:

Cash and cash equivalents	\$3,354,271
Investments	-
Restricted cash and cash equivalents	<u>229,747</u>
	<u>\$3,584,018</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

June 30, 2014

5. DUE FROM OTHER GOVERNMENTAL UNITS

Federal Government:			
Community Development Block Grant		\$ 2,500	
Department of Transportation		<u>8,902</u>	
Total Federal Government			\$ 11,402
Commonwealth of Virginia:			
Local sales tax		\$ <u>11,223</u>	
Total Commonwealth of Virginia			11,223
Wise County:			
Coal haul road taxes		\$ 11,478	
Court fines/transfer fees		<u>115</u>	
Total Wise County			<u>11,593</u>
Total Due From Other Governmental Units			<u>\$ 34,218</u>

6. CAPITAL ASSETS

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

Governmental activities:		
General government		\$ 19,646
Public safety		15,982
Public works		18,223
Parks, recreation and cultural		69,953
Community Development		2,325
Special Revenue Fund		<u>3,250</u>
Total depreciation expense – governmental activities		<u>\$ 129,379</u>
Business-type activities:		
Water and sewer		\$ <u>288,472</u>
Total depreciation expense – business-type activity		<u>\$ 288,472</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>
Capital assets, depreciable				
Buildings and improvements	\$ 1,621,662	\$ 533,291	\$ -	\$ 2,154,953
Equipment	927,257	50,234	48,961	928,530
Special Revenue Fund	<u>30,055</u>	<u>-</u>	<u>-</u>	<u>30,055</u>
Total Capital Assets, depreciable	<u>2,578,974</u>	<u>583,525</u>	<u>48,961</u>	<u>3,113,538</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 676,743	\$ 59,142	\$ -	\$ 735,885
Equipment	633,619	66,987	48,961	651,645
Special Revenue Fund	<u>6,899</u>	<u>3,250</u>	<u>-</u>	<u>10,149</u>
Total accumulated depreciation	<u>1,317,261</u>	<u>129,379</u>	<u>48,961</u>	<u>1,397,679</u>
Total Capital Assets, depreciable, net	<u>\$ 1,261,713</u>	<u>\$ 454,146</u>	<u>\$ -</u>	<u>\$ 1,715,859</u>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. CHANGES IN CAPITAL ASSETS (Continued)

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings	\$ 852,500	\$ -	\$ -	\$ 852,500
Improvements	8,854,171	345,595	-	9,199,766
Equipment	965,988	35,107	-	1,001,095
Total Capital Assets, depreciable	<u>10,672,659</u>	<u>380,702</u>	<u>-</u>	<u>11,053,361</u>
Less accumulated depreciation for				
Buildings	\$ 852,500	\$ -	\$ -	\$ 852,500
Improvements	1,896,499	243,408	-	2,139,907
Equipment	495,971	45,064	-	541,035
Total accumulated depreciation	<u>3,244,970</u>	<u>288,472</u>	<u>-</u>	<u>3,533,442</u>
Total Capital Assets, depreciable, net	<u>\$ 7,427,689</u>	<u>\$ 92,230</u>	<u>\$ -</u>	<u>\$ 7,519,919</u>

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 158,300	\$ -	\$ -	\$ 158,300
Construction in progress	-	11,966	-	11,966
Total Capital Assets, Non-depreciable	<u>\$ 158,300</u>	<u>\$ 11,966</u>	<u>\$ -</u>	<u>\$ 170,266</u>
Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 92,500	\$ -	\$ -	\$ 92,500
Constructions in progress	675,247	2,043,570	35,635	2,683,182
Total Capital Assets, Non-depreciable	<u>\$ 767,747</u>	<u>\$ 2,043,570</u>	<u>\$ 35,635</u>	<u>\$2,775,682</u>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

8. LONG-TERM DEBT

The annual requirements to amortize all debt outstanding as of June 30, 2014, 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
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	12,309	-	1,827	-	145,454	105,239	6,708	-
2019	12,309	-	1,827	-	152,136	98,556	6,708	-
2020-2024	61,545	-	9,135	-	872,162	381,299	33,541	-
2025-2029	61,545	-	9,135	-	993,738	161,690	33,541	-
2030-2034	43,083	-	7,305	-	240,207	1,344	33,541	-
2035-2039	-	-	-	-	-	-	33,541	-
2040-2044	-	-	-	-	-	-	8,554	-
Totals	\$227,718	\$ -	\$ 34,710	\$ -	\$2,802,836	\$1,101,065	\$ 176,258	\$ -

Years Ending June 30,	Water & Sewer Loan		Water & Sewer Loan		Water & Sewer Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 53,054	\$ 36,836	\$200,051	\$ 5,902	\$ 23,159	\$ 1,508
2016	54,936	34,953	-	-	18,081	419
2017	54,909	37,890	-	-	-	-
2018	54,527	42,346	-	-	-	-
2019	57,174	39,699	-	-	-	-
2020-2024	324,738	169,467	-	-	-	-
2025-2029	422,079	82,648	-	-	-	-
2030-2034	55,438	1,132	-	-	-	-
Totals	\$1,076,855	\$444,971	\$200,051	\$ 5,902	\$ 41,241	\$ 1,927

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, 2014:

	INSTALLMENT NOTES		REVENUE BONDS	
	Water/Sewer Notes	Water/Sewer Notes	Water/Sewer Bond	Water/Sewer Bond
Bonds/loans payable at July 01, 2013	\$ 63,360	\$ 6,000	\$ 240,027	\$ 36,537
Issuances	-	779,544	-	-
Retirements	(22,120)	(585,493)	(12,309)	(1,827)
Bonds/loans payable at June 30, 2014	\$ 41,240	\$ 200,051	\$ 227,718	\$ 34,710
	REVENUE BONDS		INSTALLMENT NOTES	
	Water/Sewer Bond	Water/Sewer Bond	Water/Sewer Notes	Water/Sewer Notes
Bonds/loans payable at July 01, 2013	\$ 2,924,727	\$ 182,909	\$ 1,129,022	-
Issuances	-	-	-	-
Retirements	(121,892)	(6,651)	(52,167)	-
Bonds/loans payable at June 30, 2014	\$ 2,802,835	\$ 176,258	\$ 1,076,855	\$ -
	REVENUE BOND		TOTALS	
	Water/Sewer Notes	Water/Sewer Notes	Water/Sewer Notes	Water/Sewer Notes
Bonds/loans payable at June 30, 2013	\$ -	\$ 4,582,582	\$ 1,129,022	\$ -
Issuances	1,212,918	1,992,462	-	-
Retirements	(-)	(802,459)	(52,167)	-
Bonds/loans payable at June 30, 2014	\$ 1,212,918	\$ 5,772,585	\$ 1,076,855	\$ -

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014:

	<u>Compensated Absences</u>	
	<u>Governmental</u>	<u>Propriety</u>
	<u>Fund Types</u>	<u>Fund Types</u>
Payable at July 01, 2013	\$ 51,975	\$ 31,208
Additions	36,473	19,955
Reductions	(34,996)	(18,561)
Payable at June 30, 2014	<u>\$ 53,452</u>	<u>\$ 32,602</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.	\$ 2,802,835
\$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.	176,258
\$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.	227,718
\$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.	34,710
\$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.	41,240
\$800,000 Water and Sewer System Revenue Note, Series 2013A, payable to First Bank & Trust, issued on June 21, 2013, at 2.95% interest. At June 30, 2014 the total disbursement of loan proceeds totaled \$785,544.	200,051
\$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.	1,076,855
\$1,810,000 Bond payable to Rural Development, issued May 23, 2014. Payable in monthly installments of \$6,154 at interest rate of 2.5% Final payment of principal is due May 2054.	<u>1,212,918</u>

TOTAL ENTERPRISE FUNDS LONG-TERM DEBT

\$ 5,772,585

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 \$53,452 in the General Fund and \$32,602 in the Water and Sewer Fund.

10. **FUND BALANCES—GOVERNMENTAL FUNDS**

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:			
Prepaid items	\$ —	\$ —	\$ —
Restricted:			
Parks & Recreation	84,130	—	84,130
Committed:			
Lake Estonoa	14,135	—	14,135
General Administrative	—	—	—
Community Development	—	897	897
Assigned:	—	—	—
Unassigned	1,721,650	—	1,721,650
Total fund balances	<u>\$ 1,819,915</u>	<u>\$ 897</u>	<u>\$ 1,820,812</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.

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

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

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p style="text-align: center;">VRS PLAN 1</p>	<p style="text-align: center;">VRS PLAN 2</p>	<p style="text-align: center;">HYBRID RETIREMENT PLAN</p>
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1,

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members (continued) 2014</p> <ul style="list-style-type: none"> • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally,</p>

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Retirement Contributions (continued) retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>		<p>Retirement Contributions (continued) members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may e</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60</p>

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Vesting (continued) service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p><u>Vesting Defined Benefit Component (continued)</u> months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
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TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as VRS Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as VRS Plan 1 and VRS Plan 2.</p>

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p><u>Eligibility: (continued)</u> calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>
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TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as VRS Plan 1.</p> <p>Defined Contribution Component: Not applicable.</p>

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

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (Continued)

A. Plan Description (Continued)

The System issues a publicly available comprehensive annual 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/Publication/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-250

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid 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, 2014 was 9.12% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2014, the Town of Saint Paul's annual pension cost of \$57,861 was equal to the Town's required and actual contributions. The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.0% (b) projected salary increases of 3.75% to 5.60% per year for local general government employees and 3.5% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%.

The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

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, 2014	\$57,861	100%	\$ -0-
June 30, 2013	81,385	100	-0-
June 30, 2012	77,031	100	-0-

D. Funded Status and Funding Progress

As of June 30, 2013 the most recent actuarial valuation date, the plan was 70.52% funded. The actuarial accrued liability for benefits was \$2,112,269, resulting in an unfunded actuarial accrued liability (UAAL) of \$622,605. The covered payroll (annual payroll of active employees covered by the plan) was \$665,132, and ratio of the UAAL to the covered payroll was 93.61%.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$1,489,664	\$2,112,269	\$622,605	70.5%	\$665,132	93.61%
June 30, 2012	1,373,337	1,989,805	616,468	69.0	613,047	100.6
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.

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, 2014, the Town's annual OPEB costs of \$17,544 for governmental activities and \$9,512 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 17,940	\$ 9,725	\$27,665
Interest on net OPEB obligation	234	126	360
Adjustment to annual required contribution	(630)	(339)	(969)
Annual OPEB cost	\$ 17,544	\$ 9,512	\$27,056
Contributions made (Age Adjusted)	(-)	(-)	(-)
Increase in net OPEB obligation	17,544	9,512	27,056
Net OPEB obligation-beginning of year	52,767	28,358	81,125
Net OPEB obligation-end of year	<u>\$ 70,311</u>	<u>\$ 37,870</u>	<u>\$ 108,181</u>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

12. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 17,544	0%	\$ 70,311
June 30, 2013	\$ 17,544	0%	\$ 52,767
June 30, 2012	\$ 11,741	0%	\$ 35,223

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.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 9,512	0%	\$ 37,870
June 30, 2013	\$ 9,512	0%	\$ 28,358
June 30, 2012	\$ 6,282	0%	\$ 18,846

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.

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-	\$ 117,166	\$ 117,166	0.00%	\$ 472,336	24.81%
Business-type	\$ -0-	\$ 63,089	\$ 63,089	0.00%	\$ 254,335	24.81%

June 30, 2014

12. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 2014 is 15 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.

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2014, the Town had not designated any funding for the OPEB liability.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

13. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section of 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 and so will not be recognized as an expense or expenditure until then. The Town currently has no item that meets this criterion.

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 and so will not be recognized as revenue until then.

The Town has deferred inflows totaling \$19,933 in the general fund and \$1,634,615 in the proprietary fund comprised of the following:

Deferred Property Tax Revenue:

Deferred inflows representing uncollected tax billings not available for funding of current expenditures totaled \$19,933 at June 30, 2014.

Deferred Dominion Diffuser Agreement

Deferred inflows comprised of an advance receipt from Dominion Resources toward future use of a Diffuser in the amount of \$1,634,615 at June 30, 2014.

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, 2014

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 1,100,000	\$ 2,490,000	\$ 2,491,064	\$ 1,064
Real and personal public service corporation property taxes	-	-	-	-
Personal property taxes	38,800	38,800	43,163	4,363
Machinery and tools taxes	-	-	-	-
Penalties and interest	800	800	431	(369)
Total General Property Taxes	<u>1,139,600</u>	<u>2,529,600</u>	<u>2,534,658</u>	<u>5,058</u>
Other Local Taxes:				
Local sales and use taxes	68,500	68,500	45,634	(22,866)
Cigarette taxes	22,000	22,000	23,202	1,202
Utility taxes	45,000	45,000	57,275	12,275
Business licenses taxes	139,400	139,400	121,667	(17,733)
Motor vehicle licenses	6,600	6,600	6,674	74
Bank stock taxes	28,000	28,000	32,160	4,160
Hotel and motel room taxes	-	-	521	521
Restaurant food taxes	200,000	200,000	208,492	8,492
Coal road improvement taxes	100,000	56,000	53,283	(2,717)
Total Other Local Taxes	<u>609,500</u>	<u>565,500</u>	<u>548,908</u>	<u>(16,592)</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>2,000</u>	<u>2,000</u>	<u>2,070</u>	<u>70</u>
Fines and Forfeitures	<u>15,000</u>	<u>15,000</u>	<u>25,275</u>	<u>10,275</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	4,000	4,000	5,727	1,727
Revenue from use of property	4,800	4,800	5,350	550
Total Revenue From Use of Money and Property	<u>8,800</u>	<u>8,800</u>	<u>11,077</u>	<u>2,277</u>
Charges For Services:				
Charges for sanitation and waste removal	250	250	100	(150)
Charges for parks and recreation	1,000	1,000	300	(700)
Swimming pool	18,000	18,000	28,121	10,121
Total Charges For Services	<u>19,250</u>	<u>19,250</u>	<u>28,521</u>	<u>9,271</u>
Miscellaneous Revenue	<u>11,350</u>	<u>11,350</u>	<u>158,666</u>	<u>147,316</u>
Recovered Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue From Local Sources	<u>\$ 1,805,500</u>	<u>\$ 3,151,500</u>	<u>\$ 3,309,175</u>	<u>\$ 157,675</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

SCHEDULE 1
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile home titling taxes	\$ 200	\$ 200	\$ 150	\$ (50)
Rolling stock taxes	6,000	6,000	6,371	371
Assistance to localities with police departments	23,025	23,025	23,024	(1)
Total Non-Categorical Aid	<u>29,225</u>	<u>29,225</u>	<u>29,545</u>	<u>320</u>
Other Categorical Aid:				
Street and highway maintenance	-	-	-	-
Litter control	1,000	1,000	1,060	60
Financial assistance to the arts	1,000	1,000	-	(1,000)
Community Revitalization	270,000	300,000	305,856	5,856
Farmers Market-ADS Grant	300	300	-	(300)
VA Tourism Grant	-	-	10,000	10,000
DMV grant	-	-	2,838	2,838
Fire programs fund	8,000	8,000	18,000	10,000
Total Other Categorical Aid	<u>280,300</u>	<u>310,300</u>	<u>337,754</u>	<u>27,454</u>
Total Revenue From The Commonwealth	<u>309,525</u>	<u>339,525</u>	<u>367,299</u>	<u>27,774</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	4,200	4,200	2,862	(1,338)
Total Payment in Lieu of Taxes	<u>4,200</u>	<u>4,200</u>	<u>2,862</u>	<u>(1,338)</u>
Categorical Aid:				
USDA	-	-	2,282	2,282
TVA-Reimbursement	1,500	1,500	-	(1,500)
Transportation Enhancement Grant	-	-	8,902	8,902
LLEBG-Block Grant	1,000	1,000	-	(1,000)
Total Categorical Aid	<u>2,500</u>	<u>2,500</u>	<u>11,184</u>	<u>8,684</u>
Total Revenue From The Federal Government	<u>6,700</u>	<u>6,700</u>	<u>14,046</u>	<u>7,346</u>
Prior Years Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL FUND	<u>2,121,725</u>	<u>3,497,725</u>	<u>3,690,520</u>	<u>192,795</u>
SPECIAL REVENUE FUNDS:				
Veteran's Memorial Wall				
Revenue From Local Sources:				
Revenue from Use of Money and Property:	-	5	7	2
Transfers in (out)	-	-	-	-
Miscellaneous	-	180	-	(180)
Total Revenue Veteran's Memorial Wall	<u>-</u>	<u>185</u>	<u>7</u>	<u>(178)</u>
Total Special Revenue Funds	<u>-</u>	<u>185</u>	<u>7</u>	<u>(178)</u>
GRAND TOTALS - REVENUES - GOVERNMENTAL FUNDS	<u>\$ 2,121,725</u>	<u>\$ 3,497,910</u>	<u>\$ 3,690,527</u>	<u>\$ 192,617</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Mayor	\$ 1,200	\$ 1,200	\$ 1,200	\$ -
Total Legislative	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
 General and Financial Administration:				
Salaries and Wages	133,236	133,236	123,230	10,006
Payroll taxes	9,472	9,472	9,687	(215)
Health insurance	33,276	33,276	33,275	1
Retirement	27,069	27,069	8,205	18,864
Insurance-Worker's Compensation	100	100	212	(112)
Other Employee Benefits	1,275	1,275	1,276	(1)
Legal fees	16,000	16,000	13,202	2,798
Accounting	12,500	12,500	9,750	2,750
Audit expense	10,000	10,000	10,000	-
Dues, Licenses & Fees	2,000	2,000	6,801	(4,801)
Advertising	2,500	2,500	3,912	(1,412)
Computer Software	5,000	5,000	9,447	(4,447)
Insurance-General Liability	1,000	1,000	2,418	(1,418)
Insurance-Bond Coverage	100	100	300	(200)
Miscellaneous	14,550	14,550	16,674	(2,124)
Supplies & Equipment	12,500	12,500	14,700	(2,200)
Town Election Expense	2,300	2,300	2,035	265
Telephone	6,900	6,900	5,852	1,048
Travel, Lodging & Entertainment	15,000	15,000	7,264	7,736
Tax Ticket Preparation	600	600	83	517
Tax Credit-WC IDA	200,000	473,800	473,795	5
Cigarette Tax Costs	2,800	2,800	2,562	238
Total General and Financial Administration	<u>508,178</u>	<u>781,978</u>	<u>754,680</u>	<u>27,298</u>
Total General Government Administration	<u>509,378</u>	<u>783,178</u>	<u>755,880</u>	<u>27,298</u>
 Public Safety:				
Law Enforcement and Traffic Control:				
Salaries and Wages	217,990	217,990	260,779	(42,789)
Payroll taxes	17,000	17,000	19,453	(2,453)
Health insurance	71,650	71,650	76,022	(4,372)
Retirement	17,911	17,911	17,249	662
Insurance-Worker's Compensation	1,700	1,700	6,368	(4,668)
Other Employee benefits	2,520	2,520	2,732	(212)
Uniforms	1,200	1,200	1,490	(290)
Legal Fees	3,000	3,000	935	2,065
Dues, Licenses & Fees	400	400	210	190
Liability Insurance	1,000	1,000	2,418	(1,418)
Materials and Supplies	7,000	7,000	5,091	1,909
Materials and Supplies-Christmas Toy Drive	2,500	2,500	6,501	(4,001)
Training and Education	3,000	3,000	2,625	375
Telephone	3,000	3,000	3,654	(654)
Utilities	5,000	5,000	5,921	(921)
Miscellaneous	8,200	20,800	27,108	(6,308)
Vehicle Expense	28,400	39,900	37,980	1,920
Line of Duty expense	500	1,500	1,950	(450)
Capital Outlay	-	-	-	-
Total Law Enforcement and Traffic Control	<u>391,971</u>	<u>417,071</u>	<u>478,486</u>	<u>(61,415)</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fire and Rescue Services:				
Vehicle expense	2,100	2,100	2,468	(368)
Insurance	5,000	5,000	4,914	86
Fire programs	8,000	8,000	17,000	(9,000)
Supplies	1,000	1,000	936	64
Utilities	400	400	-	400
Miscellaneous	-	-	-	-
Total Fire and Rescue Services	16,500	16,500	25,318	(8,818)
Total Public Safety	408,471	433,571	503,804	(70,233)
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Salaries and Wages	179,645	179,645	207,095	(27,450)
Payroll taxes	14,021	14,021	15,377	(1,356)
Health insurance	44,370	44,370	51,190	(6,820)
Retirement	14,175	14,175	12,652	1,523
Insurance-Worker's Compensation	3,500	3,500	9,901	(6,401)
Other employee benefits	1,995	1,995	1,921	74
Uniforms	4,200	4,200	2,206	1,994
Litter Control	1,000	1,000	100	900
Materials & Supplies	10,000	11,700	28,465	(16,765)
Telephone	1,200	1,200	985	215
Utilities	26,000	26,000	24,585	1,415
Vehicle expense	36,700	36,700	46,375	(9,675)
Capital Outlay	79,400	79,400	10,002	69,398
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	416,206	417,906	410,854	7,052
Maintenance of General Buildings and Grounds:				
Wages-Custodial	7,300	7,300	6,827	473
Materials & Supplies	5,000	5,000	17,803	(12,803)
Insurance-Buildings and Property	1,500	1,500	4,788	(3,288)
Capital Outlay	-	-	-	-
Total Maintenance of General Buildings and Grounds	13,800	13,800	29,418	(15,618)
Total Public Works	430,006	431,706	440,272	(8,566)
Parks, Recreation and Cultural:				
Salaries and Wages	16,000	16,000	22,181	(6,181)
Payroll Taxes	1,470	1,470	1,837	(367)
Insurance-Worker's Compensation	450	450	212	238
Miscellaneous	14,750	14,750	9,528	5,222
Concessions	5,000	5,000	12,235	(7,235)
Maintenance & Repairs	15,500	51,900	55,697	(3,797)
Materials & supplies	5,200	7,200	10,113	(2,913)
Telephone	400	400	1,133	(733)
Utilities	10,800	10,800	10,698	102
Capital Outlay	-	30,000	30,156	(156)
Total Parks and Recreation	69,570	137,970	153,790	(15,820)

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

SCHEDULE 2
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cultural Enrichment:				
Pro-Art	2,000	2,000	-	2,000
Fourth of July Celebration	7,000	7,000	7,755	(755)
Civic-Little League	2,000	2,000	1,000	1,000
Miscellaneous	1,300	1,300	2,426	(1,126)
Total Cultural Enrichment	<u>12,300</u>	<u>12,300</u>	<u>11,181</u>	<u>1,119</u>
Library:				
Payments to regional library	<u>14,000</u>	<u>28,000</u>	<u>29,084</u>	<u>(1,084)</u>
Total Parks, Recreation and Cultural	<u>95,870</u>	<u>178,270</u>	<u>194,055</u>	<u>(15,785)</u>
Community Development:				
Lake Estonsa Learning Center	2,100	2,100	5,235	(3,135)
Farmers Market	6,200	6,200	5,400	800
Community development	319,500	357,500	554,688	(197,188)
Total Planning and Community Development	<u>327,800</u>	<u>365,800</u>	<u>565,323</u>	<u>(199,523)</u>
Total Community Development	<u>327,800</u>	<u>365,800</u>	<u>565,323</u>	<u>(199,523)</u>
Non-Departmental				
Contingency	<u>250,000</u>	<u>1,195,000</u>	<u>-</u>	<u>1,195,000</u>
Total Non-Departmental	<u>250,000</u>	<u>1,195,000</u>	<u>-</u>	<u>1,195,000</u>
Debt Service:				
Principal retirement	-	-	-	\$ -
Interest	-	-	-	-
Total Non-Departmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL FUND	<u>2,021,525</u>	<u>3,387,525</u>	<u>2,459,334</u>	<u>928,191</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 2,021,525</u>	<u>\$ 3,387,525</u>	<u>\$ 2,459,334</u>	<u>\$ 928,191</u>
OTHER FINANCING RESOURCES (USES):				
Sale of property	-	-	4,069	4,069
Insurance recoveries	-	-	4,199	4,199
Transfers in (out)	<u>(100,200)</u>	<u>(110,200)</u>	<u>(110,000)</u>	<u>200</u>
Total Other Financing Sources (Uses)	<u>(100,200)</u>	<u>(110,200)</u>	<u>(101,732)</u>	<u>8,468</u>
Net Increase (Decrease) in General Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,454</u>	<u>\$ 1,129,454</u>
SPECIAL REVENUE FUNDS:				
Veteran's Memorial Wall				
Miscellaneous	<u>-</u>	<u>185</u>	<u>-</u>	<u>(185)</u>
Total Revenue Veteran's Memorial Wall	<u>-</u>	<u>185</u>	<u>-</u>	<u>(185)</u>
Total Special Revenue Funds Expenditures	<u>-</u>	<u>185</u>	<u>-</u>	<u>(185)</u>
Grand Total Expenditures-Governmental Funds	<u>1,921,325</u>	<u>3,277,510</u>	<u>2,357,602</u>	<u>936,474</u>
Net Increase (Decrease) in Governmental Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,461</u>	<u>\$ 1,129,461</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, 2014

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Charges for Services:				
Water Services	690,089	690,089	686,181	\$ (3,908)
Sewer Services	324,260	324,260	277,096	(47,164)
Garbage Services	93,000	93,000	85,696	(7,304)
Penalties	7,000	7,000	9,608	2,608
Other Income	1,000	1,000	32,695	31,695
TOTAL OPERATING REVENUES	<u>1,115,349</u>	<u>1,115,349</u>	<u>1,091,276</u>	<u>(24,073)</u>
OPERATING EXPENSES:				
Water Department:				
Salaries & Wages	134,650	134,650	185,399	(50,749)
Payroll Taxes	10,463	10,463	14,140	(3,677)
Retirement	10,114	10,114	10,081	33
Insurance - Health	38,372	38,372	40,126	(1,754)
Insurance - Workmens Compensation	1,200	1,200	4,474	(3,274)
Contractual	-	-	-	-
Audit Fees	1,250	1,250	750	500
Chemicals	21,000	21,000	23,251	(2,251)
Miscellaneous	6,100	6,100	24,260	(18,160)
Fuel, Oil & Gas	1,400	1,400	1,200	200
Insurance-Buildings & Property	3,100	3,100	8,424	(5,324)
Insurance-Vehicles	2,300	2,300	4,614	(2,314)
Licenses, Permits & Fees	4,750	4,750	6,021	(1,271)
Loan Expenses	20,785	20,785	-	20,785
Office Equipment & Supplies	11,100	11,100	40,888	(29,788)
Postage	2,100	2,100	2,934	(834)
Repairs & Maintenance	398,700	398,700	14,575	384,125
Utilities	34,000	34,000	50,993	(16,993)
Uniforms	4,500	4,500	4,276	224
Contingency	100,000	100,000	-	100,000
TOTAL WATER DEPARTMENT	<u>805,884</u>	<u>805,884</u>	<u>436,406</u>	<u>369,478</u>
Sewer Department:				
Salaries & Wages	100,373	100,373	80,626	19,747
Payroll Taxes	7,760	7,760	6,170	1,590
Retirement	8,356	8,356	4,425	3,931
Insurance - Health	28,481	28,481	26,438	2,043
Insurance - Workmens Compensation	595	595	1,475	(880)
Contract Labor	-	-	-	-
Audit Fees	2,770	2,770	-	2,770
Miscellaneous	672	672	-	672

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, 2014

SCHEDULE 3
Page2

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Sewer Department: (Cont.)				
Fuel, Oil & Gas	1,600	1,600	1,542	58
Licenses, Permits & Fees	3,100	3,100	3,452	(352)
Materials & Supplies	3,500	3,500	3,088	412
Repairs & Maintenance	11,700	11,700	27,657	(15,957)
Utilities	92,000	92,000	46,009	45,991
Testing	20,000	20,000	68,822	(48,822)
Capital Outlay	4,548,000	4,548,000	-	4,548,000
TOTAL SEWER DEPARTMENT	4,828,907	4,828,907	269,704	4,559,203
Garbage Department:				
Salaries & Wages	54,782	54,782	62,180	(7,398)
Payroll Taxes	4,299	4,299	4,720	(421)
Retirement	5,086	5,086	3,881	1,205
Insurance - Health	11,988	11,988	21,868	(9,880)
Insurance - Workmens Compensation	1,600	1,600	1,517	83
Fuel, Oil & Gas	12,700	12,700	12,136	564
Materials & Supplies	-	-	467	(467)
Repairs & Maintenance	1,800	1,800	8,086	(6,286)
TOTAL GARBAGE DEPARTMENT	92,255	92,255	114,855	(22,600)
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	5,727,046	5,727,046	820,965	4,906,081
Depreciation Expense	41,664	41,664	288,472	(246,808)
TOTAL OPERATING EXPENSES	5,768,710	5,768,710	1,109,437	4,659,273
OPERATING INCOME (LOSS)	(4,653,361)	(4,653,361)	(18,161)	4,635,200
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	4,000	4,000	9,202	5,202
Interest Expense	(4,000)	(4,000)	(173,807)	(169,807)
Connection Fees	6,900	6,900	1,955	(4,945)
Grant revenue	4,911,700	4,911,700	309,001	(4,602,699)
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,918,600	4,918,600	146,351	(4,772,249)
INCOME (LOSS) BEFORE OPERATING TRANSFER	265,239	265,239	128,190	(137,049)
Operating Transfer In (Out)	100,000	100,000	110,000	10,000
Debt Service	(365,239)	(365,239)	-	365,239
Reappropriation of Retained Earnings	-	-	-	-
TOTAL OPERATING TRANSFERS	(265,239)	(265,239)	110,000	375,239
NET INCOME (LOSS)	-	-	238,190	238,190

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, 2014

PROPERTY TAX LEVIES AND COLLECTIONS

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1) TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
2014	2,535,384	2,487,778	98.12%	3,286	2,491,064	98.25%	22,599	0.89%
2013	1,107,642	1,021,968	92.27%	5,526	1,027,494	92.76%	22,163	2.00%
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 RATE: .18 PER \$100			PERSONAL PROPERTY TAX RATE: .31 PER \$100		
	WISE COUNTY	RUSSELL COUNTY	TOTAL REAL ESTATE	WISE COUNTY	RUSSELL COUNTY	TOTAL PERSONAL PROPERTY
2014	1,367,967,435	16,442,116	1,384,409,551	11,541,942	2,473,023	14,014,965
2013	558,526,438	12,355,600	570,882,038	24,266,395	1,509,360	25,775,755
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	ENTERPRISE REVENUES			
2014	1,000	\$ 1,384,410	\$ 5,772,585	\$ -	\$ 5,772,585	\$ -	-	-	
2013	1,000	570,882	4,582,582	-	4,582,582	-	-	-	
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, 2014

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>\$ 1,384,409,551</u>
Legal debt limit, 10% of assessed value		138,440,955
Total bonded debt:	\$ 5,772,585	
Less: Water and Sewer revenue bonds	<u>(5,772,585)</u>	
Net bonded debt		<u>-</u>
Legal Debt Margin		<u>\$ 138,440,955</u>

**TOWN OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unmodified opinion on the general purpose financial statements of the Town of Saint Paul, Virginia.
- 2) No significant deficiencies relating to the audit of the financial statements of the Town of Saint Paul, Virginia, are reported in the Auditor's 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
- 3) No instances of non-compliance material to the general purpose financial statements of the Town of Saint Paul, Virginia, were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the Town of Saint Paul, Virginia, expresses an unmodified opinion.
- 6) Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this Schedule.
- 7) The programs tested as major programs are designated with an "*" on the accompanying Schedule of Expenditures of Federal Awards.
- 8) The threshold for distinguishing types A & B programs was \$300,000.
- 9) The Town of Saint Paul, Virginia, was not eligible to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

C) FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

TOWN OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
ARRA-Water and Waste Water Disposal Systems for Rural Communities	10.781	\$ 1,490,886 *
Community Facilities Loans and Grants	10.766	2,283
Cooperative Forestry Assistance	10.664	2,500
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT:		
Community Development Block Grants	14.228	305,856 *
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction	20.205	8,902
State and Community Highway Safety	20.600	<u>2,838</u>
TOTAL		<u>\$ 1,813,265</u>

* Denotes Major Program or Major Program Cluster