



FINANCIAL REPORT

JUNE 30, 2018

TOWN OF APPOMATTOX, VIRGINIA

FINANCIAL REPORT

June 30, 2018

TOWN OF APPOMATTOX, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF APPOMATTOX, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2018

TOWN COUNCIL

Paul D. Harvey, Mayor
Claudia G. Puckette
Steven T. Conner
Timothy W. Garrett
Mary Lou Spiggle
Johnathan Garrett
James Boyce

ECONOMIC DEVELOPMENT AUTHORITY BOARD

Robert “Bob” P. Goode, Chairman
Mary Lou Spiggle, Vice-Chairman
Daniel Richardson
Tom Utz
Michael R. Goin
C. Lewis McDearmon, Jr.
Dr. Jeffrey Garrett

APPOINTED OFFICIALS

Gary Shanaberger..... Town Manager
Frank Wright, Jr. Town Attorney
Kim Ray Treasurer
Roxanne Casto Town Clerk

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Appomattox, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Appomattox, Virginia (the "Town"), as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Report on the Financial Statements (Continued)

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 discretely presented component unit, each major fund, and aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, other supplementary information, supporting schedules, and other information, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining statements, the financial statements of the discretely presented component unit, the supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards, the financial statements of the discretely presented component unit, and supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and other information sections 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 21, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
March 21, 2019

BASIC FINANCIAL STATEMENTS

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2018

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|---------------|--------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Economic Development Authority |
| ASSETS | | | | |
| Cash and cash equivalents (Note 2) | \$ 3,934,546 | \$ 2,304,717 | \$ 6,239,263 | \$ 151,706 |
| Receivables, net (Note 3) | 178,420 | 192,237 | 370,657 | - |
| Due from other governments (Note 6) | 148,020 | 1,409,383 | 1,557,403 | - |
| Internal balances (Note 5) | 60,000 | (60,000) | - | - |
| Inventories | - | 106,398 | 106,398 | - |
| Prepaid expenses | 44,490 | - | 44,490 | - |
| Net pension asset (Note 11) | 80,929 | 39,934 | 120,863 | - |
| Capital assets (Note 8) | | | | |
| Nondepreciable | 107,173 | 1,712,648 | 1,819,821 | - |
| Depreciable, net | 1,240,644 | 7,954,572 | 9,195,216 | - |
| Total assets | 5,794,222 | 13,659,889 | 19,454,111 | 151,706 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension-related deferred outflows (Note 11) | 80,413 | 39,679 | 120,092 | - |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 109,304 | 729,962 | 839,266 | - |
| Accrued payroll and related liabilities | 14,087 | 8,546 | 22,633 | - |
| Accrued interest payable | - | 7,742 | 7,742 | - |
| Customer security deposits | - | 28,835 | 28,835 | - |
| Line of credit payable (Note 9) | - | 500,859 | 500,859 | - |
| Long-term liabilities (Note 10) | | | | |
| Due within one year | 10,550 | 201,783 | 212,333 | - |
| Due in more than one year | 47,490 | 732,864 | 780,354 | - |
| Total liabilities | 181,431 | 2,210,591 | 2,392,022 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension-related deferred inflows (Note 11) | 45,207 | 22,307 | 67,514 | - |
| Unearned revenue (Note 4) | - | 933,800 | 933,800 | - |
| Total deferred inflows of resources | 45,207 | 956,107 | 1,001,314 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 1,325,799 | 8,746,848 | 10,072,647 | - |
| Unrestricted | 4,322,198 | 1,786,022 | 6,108,220 | 151,706 |
| Total net position | \$ 5,647,997 | \$ 10,532,870 | \$ 16,180,867 | \$ 151,706 |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|--------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|--------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-Type Activities | Total | Economic Development Authority |
| Primary Government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government administration | \$ 554,814 | \$ - | \$ - | \$ - | \$ (554,814) | \$ - | \$ (554,814) | \$ - |
| Public safety | 130,692 | - | 62,740 | - | (67,952) | - | (67,952) | - |
| Public works | 1,333,019 | 750 | - | 359,395 | (972,874) | - | (972,874) | - |
| Community development | 131,022 | - | - | - | (131,022) | - | (131,022) | - |
| Interest on long-term debt | 759 | - | - | - | (759) | - | (759) | - |
| Total governmental activities | 2,150,306 | 750 | 62,740 | 359,395 | (1,727,421) | - | (1,727,421) | - |
| Business-type activities | | | | | | | | |
| Water | 480,531 | 408,892 | 43,326 | - | - | (28,313) | (28,313) | - |
| Sewer | 902,269 | 845,024 | - | 1,409,383 | - | 1,352,138 | 1,352,138 | - |
| Total business-type activities | 1,382,800 | 1,253,916 | 43,326 | 1,409,383 | - | 1,323,825 | 1,323,825 | - |
| Total primary government | \$ 3,533,106 | \$ 1,254,666 | \$ 106,066 | \$ 1,768,778 | (1,727,421) | 1,323,825 | (403,596) | - |
| Component Unit | | | | | | | | |
| Economic Development Authority | \$ 29,960 | \$ - | \$ - | \$ - | - | - | - | (29,960) |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 264,996 | - | 264,996 | - |
| Meals taxes | | | | | 1,116,586 | - | 1,116,586 | - |
| Sales and use taxes | | | | | 76,253 | - | 76,253 | - |
| Bank stock taxes | | | | | 164,265 | - | 164,265 | - |
| Business license taxes | | | | | 191,903 | - | 191,903 | - |
| Cigarette taxes | | | | | 161,363 | - | 161,363 | - |
| Other local taxes | | | | | 132,532 | - | 132,532 | - |
| Intergovernmental revenue not restricted to specific programs | | | | | 34,333 | - | 34,333 | - |
| Town contribution | | | | | - | - | - | 29,960 |
| Investment earnings | | | | | 22,481 | 7,983 | 30,464 | 152 |
| Other | | | | | 28,165 | 134,163 | 162,328 | - |
| Transfers | | | | | 46,455 | (46,455) | - | - |
| Total general revenues | | | | | 2,239,332 | 95,691 | 2,335,023 | 30,112 |
| Change in net position | | | | | 511,911 | 1,419,516 | 1,931,427 | 152 |
| NET POSITION AT JULY 1 | | | | | 5,136,086 | 9,113,354 | 14,249,440 | 151,554 |
| NET POSITION AT JUNE 30 | | | | | \$ 5,647,997 | \$ 10,532,870 | \$ 16,180,867 | \$ 151,706 |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUND
June 30, 2018**

| | <u>General Fund</u> |
|--|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,894,025 |
| Receivables, net | 178,420 |
| Prepaid expenses | 44,490 |
| Due from other governments | 148,020 |
| Due from other funds | 98,418 |
| | <u>98,418</u> |
| Total assets | <u><u>\$ 4,363,373</u></u> |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 106,565 |
| Accrued payroll and related liabilities | 14,087 |
| | <u>120,652</u> |
| Total liabilities | <u>120,652</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue | <u>18,198</u> |
| FUND BALANCE (Note 15) | |
| Nonspendable | 44,490 |
| Committed | 360,758 |
| Unassigned | 3,819,275 |
| | <u>4,224,523</u> |
| Total fund balance | <u>4,224,523</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u><u>\$ 4,363,373</u></u> |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018**

Ending fund balance – governmental fund **\$ 4,224,523**

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

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the fund.

| | | |
|--------------------------------|--------------------|-----------|
| Governmental capital assets | \$ 2,376,885 | |
| Less: accumulated depreciation | <u>(1,029,068)</u> | |
| | | 1,347,817 |

| | | |
|--|--|--------|
| Certain receivables are not available to pay for current period expenditures and therefore are deferred in the fund. | | 18,198 |
|--|--|--------|

Financial statement elements related to pension are applicable to future periods and, therefore, are not reported in the fund.

| | | |
|---|---------------|---------|
| Deferred outflows of resources related to pension | 80,413 | |
| Deferred inflows of resources related to pension | (45,207) | |
| Net pension asset | <u>80,929</u> | |
| | | 116,135 |

The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position

| | | |
|--|------------------|--------------|
| Internal service fund net position – Exhibit 8 | 140,957 | |
| Less: internal service fund capital assets | <u>(141,593)</u> | |
| | | <u>(636)</u> |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.

| | | |
|-------------------------|-----------------|-----------------|
| General obligation bond | (22,018) | |
| Compensated absences | <u>(36,022)</u> | |
| | | <u>(58,040)</u> |

| | | |
|---|--|-----------------------------------|
| Total net position – governmental activities | | <u><u>\$ 5,647,997</u></u> |
|---|--|-----------------------------------|

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year Ended June 30, 2018**

| | <u>General Fund</u> |
|--|---------------------|
| REVENUES | |
| General property taxes (Note 12) | \$ 269,896 |
| Other local taxes | 1,842,902 |
| Permits, privilege fees, and regulatory licenses | 750 |
| Revenue from use of money and property | 22,481 |
| Other | 28,165 |
| Intergovernmental | 456,468 |
| | <hr/> |
| Total revenues | 2,620,662 |
| | <hr/> |
| EXPENDITURES | |
| Current | |
| General government administration | 528,445 |
| Public safety | 130,692 |
| Public works | 1,377,913 |
| Community development | 113,204 |
| Debt service | |
| Principal retirement | 2,131 |
| Interest and other fiscal charges | 759 |
| | <hr/> |
| Total expenditures | 2,153,144 |
| | <hr/> |
| Excess of revenues over expenditures | 467,518 |
| | <hr/> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers out | (59,078) |
| | <hr/> |
| Total other financing sources (uses) | (59,078) |
| | <hr/> |
| Net change in fund balance | 408,440 |
| | <hr/> |
| FUND BALANCE AT JULY 1 | 3,816,083 |
| | <hr/> |
| FUND BALANCE AT JUNE 30 | \$ 4,224,523 |
| | <hr/> <hr/> |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

Net change in fund balance – governmental fund \$ 408,440

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 and reported as depreciation expense.

| | | | |
|----------------------|----|-----------------|---------|
| Capital outlays | \$ | 188,863 | |
| Depreciation expense | | <u>(87,319)</u> | |
| | | | 101,544 |

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

| | | | |
|---------------------|--|--|---------|
| Unavailable revenue | | | (4,900) |
|---------------------|--|--|---------|

Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

| | | | |
|--------------------------------|--|----------------|--------|
| Employer pension contributions | | 29,330 | |
| Pension expense | | <u>(5,734)</u> | |
| | | | 23,596 |

The issuance of long-term debt (e.g. bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has an effect on net position.

| | | | |
|---|--|--|-------|
| Principal repayments on general obligation bond | | | 2,131 |
|---|--|--|-------|

Long-term compensated absences are reported in the statement of activities, but they do not require the use of current financial resources and, therefore are not recorded as expenditures in governmental funds.

(20,878)

Transfers into internal service fund reported with governmental activities.

105,533

The net loss (excluding transfers) of the internal service fund is reported with governmental activities.

(103,555)

| | | | |
|--|--|--|--------------------------|
| Change in net position of governmental activities | | | <u><u>\$ 511,911</u></u> |
|--|--|--|--------------------------|

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2018**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 281,000 | \$ 281,000 | \$ 269,896 | \$ (11,104) |
| Other local taxes | 1,643,100 | 1,643,100 | 1,842,902 | 199,802 |
| Permits, privilege fees, and regulatory licenses | 2,000 | 2,000 | 750 | (1,250) |
| Revenue from use of money and property | 18,000 | 18,000 | 22,481 | 4,481 |
| Other | 500 | 500 | 28,165 | 27,665 |
| Intergovernmental | 56,608 | 760,732 | 456,468 | (304,264) |
| Total revenues | <u>2,001,208</u> | <u>2,705,332</u> | <u>2,620,662</u> | <u>(84,670)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government administration | 496,510 | 496,510 | 528,445 | (31,935) |
| Public safety | 115,980 | 115,980 | 130,692 | (14,712) |
| Public works | 1,791,670 | 2,495,794 | 1,377,913 | 1,117,881 |
| Community development | 98,610 | 158,610 | 113,204 | 45,406 |
| Capital outlay | 10,000 | 10,000 | - | 10,000 |
| Debt service | | | | |
| Principal retirement | 2,132 | 2,132 | 2,131 | 1 |
| Interest and other fiscal charges | 759 | 759 | 759 | - |
| Total expenditures | <u>2,515,661</u> | <u>3,279,785</u> | <u>2,153,144</u> | <u>1,126,641</u> |
| Excess (deficiency) of revenues over expenditures | <u>(514,453)</u> | <u>(574,453)</u> | <u>467,518</u> | <u>1,041,971</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(37,530)</u> | <u>(37,530)</u> | <u>(59,078)</u> | <u>(21,548)</u> |
| Total other financing sources (uses) | <u>(37,530)</u> | <u>(37,530)</u> | <u>(59,078)</u> | <u>(21,548)</u> |
| Net change in fund balance | <u>\$ (551,983)</u> | <u>\$ (611,983)</u> | <u>\$ 408,440</u> | <u>\$ 1,020,423</u> |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2018**

| | Business-Type Activities Enterprise Funds | | | Internal Service Fund |
|--|--|--------------|---------------|-----------------------------|
| | Water | Sewer | Total | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 1,924,979 | \$ 379,738 | \$ 2,304,717 | \$ 40,521 |
| Receivable, net | 43,962 | 148,275 | 192,237 | - |
| Due from other governments | - | 1,409,383 | 1,409,383 | - |
| Inventories | 92,146 | 14,252 | 106,398 | - |
| Total current assets | 2,061,087 | 1,951,648 | 4,012,735 | 40,521 |
| NONCURRENT ASSETS | | | | |
| Net pension asset | 12,190 | 27,744 | 39,934 | - |
| Capital assets, net | 1,603,006 | 8,064,214 | 9,667,220 | 141,593 |
| Total noncurrent assets | 1,615,196 | 8,091,958 | 9,707,154 | 141,593 |
| Total assets | 3,676,283 | 10,043,606 | 13,719,889 | 182,114 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension-related deferred outflows | 12,112 | 27,567 | 39,679 | - |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 29,221 | 700,741 | 729,962 | 2,739 |
| Accrued payroll and related liabilities | 2,997 | 5,549 | 8,546 | - |
| Accrued interest payable | 3,015 | 4,727 | 7,742 | - |
| Customer security deposits | 28,835 | - | 28,835 | - |
| Due to other funds | - | 60,000 | 60,000 | 38,418 |
| Line of credit payable | - | 500,859 | 500,859 | - |
| Current portion of long-term debt | 15,823 | 182,133 | 197,956 | - |
| Current portion of compensated absences | 1,889 | 1,938 | 3,827 | - |
| Total current liabilities | 81,780 | 1,455,947 | 1,537,727 | 41,157 |
| NONCURRENT LIABILITIES | | | | |
| Long-term debt | 131,105 | 591,311 | 722,416 | - |
| Compensated absences | 4,651 | 5,797 | 10,448 | - |
| Total noncurrent liabilities | 135,756 | 597,108 | 732,864 | - |
| Total liabilities | 217,536 | 2,053,055 | 2,270,591 | 41,157 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension-related deferred inflows | 6,809 | 15,498 | 22,307 | - |
| Unearned revenue | 933,800 | - | 933,800 | - |
| Total deferred inflows of resources | 940,609 | 15,498 | 956,107 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 1,456,078 | 7,290,770 | 8,746,848 | 141,593 |
| Unrestricted | 1,074,172 | 711,850 | 1,786,022 | (636) |
| Total net position | \$ 2,530,250 | \$ 8,002,620 | \$ 10,532,870 | \$ 140,957 |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-Type Activities Enterprise Funds | | | Internal Service Fund |
|---|--|--------------|---------------|-----------------------------|
| | Water | Sewer | Total | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 408,892 | \$ 845,024 | \$ 1,253,916 | \$ - |
| Other | 61,767 | 84,190 | 145,957 | - |
| Total operating revenues | 470,659 | 929,214 | 1,399,873 | - |
| OPERATING EXPENSES | | | | |
| Salaries | 58,262 | 200,921 | 259,183 | - |
| Fringe benefits | 44,894 | 75,002 | 119,896 | - |
| Maintenance | 57,265 | 32,816 | 90,081 | - |
| Utilities | 3,830 | 44,979 | 48,809 | - |
| Materials and supplies | 13,816 | 136,502 | 150,318 | 53,031 |
| Sample testing | 4,289 | 20,085 | 24,374 | - |
| Professional services | 57,673 | 62,925 | 120,598 | - |
| Other | 2,565 | 2,848 | 5,413 | - |
| Purchased water | 142,583 | - | 142,583 | - |
| Depreciation | 90,047 | 313,704 | 403,751 | 50,525 |
| Total operating expenses | 475,224 | 889,782 | 1,365,006 | 103,556 |
| Operating income (loss) | (4,565) | 39,432 | 34,867 | (103,556) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 4,086 | 3,897 | 7,983 | - |
| Interest expense | (5,307) | (12,487) | (17,794) | - |
| Rent income | 31,532 | - | 31,532 | - |
| Net nonoperating revenues | 30,311 | (8,590) | 21,721 | - |
| Income (loss) before contributions and transfers | 25,746 | 30,842 | 56,588 | (103,556) |
| Capital contributions | - | 1,409,383 | 1,409,383 | - |
| Transfers in | - | - | - | 105,533 |
| Transfers out | (17,902) | (28,553) | (46,455) | - |
| Change in net position | 7,844 | 1,411,672 | 1,419,516 | 1,977 |
| NET POSITION AT JULY 1 | 2,522,406 | 6,590,948 | 9,113,354 | 138,980 |
| NET POSITION AT JUNE 30 | \$ 2,530,250 | \$ 8,002,620 | \$ 10,532,870 | \$ 140,957 |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-Type Activities Enterprise Funds | | | Internal Service Fund |
|--|--|------------|--------------|-----------------------------|
| | Water | Sewer | Total | |
| OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 406,089 | \$ 787,809 | \$ 1,193,898 | \$ - |
| Payments to suppliers | (290,597) | (307,922) | (598,519) | (53,151) |
| Payments to employees | (100,130) | (268,853) | (368,983) | - |
| Other receipts | 61,672 | 84,190 | 145,862 | - |
| Net cash provided by (used in) operating activities | 77,034 | 295,224 | 372,258 | (53,151) |
| NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | - | - | - | 105,533 |
| Transfers to other funds | (17,902) | (28,553) | (46,455) | - |
| Net cash provided by (used in) non-capital financing activities | (17,902) | (28,553) | (46,455) | 105,533 |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | (35,938) | (770,928) | (806,866) | (18,975) |
| Borrowings on line of credit | - | 500,859 | 500,859 | - |
| Principal paid on debt | (15,765) | (182,044) | (197,809) | - |
| Interest paid on debt | (5,624) | (12,984) | (18,608) | - |
| Net cash used in capital and related financing activities | (57,327) | (465,097) | (522,424) | (18,975) |
| INVESTING ACTIVITIES | | | | |
| Water tower rent assignment received | 145,000 | - | 145,000 | - |
| Water tower rent | 11,232 | - | 11,232 | - |
| Interest received | 4,086 | 3,897 | 7,983 | - |
| Net cash provided by investing activities | 160,318 | 3,897 | 164,215 | - |
| Net increase (decrease) in cash and cash equivalents | 162,123 | (194,529) | (32,406) | 33,407 |
| CASH AND CASH EQUIVALENTS | | | | |
| Beginning of year | 1,762,856 | 574,267 | 2,337,123 | 7,114 |
| Ending of year | \$ 1,924,979 | \$ 379,738 | \$ 2,304,717 | \$ 40,521 |

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-Type Activities Enterprise Funds | | | Internal Service Fund |
|--|--|------------|------------|-----------------------------|
| | Water | Sewer | Total | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) | | | | |
| OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ (4,565) | \$ 39,432 | \$ 34,867 | \$ (103,556) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 90,047 | 313,704 | 403,751 | 50,525 |
| Pension expense net of employer contribution | 6,369 | 7,559 | 13,928 | - |
| Change in certain assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable | 152 | (57,215) | (57,063) | - |
| Inventory | 2,815 | (1,868) | 947 | - |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued liabilities | (15,733) | (5,777) | (21,510) | (121) |
| Compensated absences | 999 | (611) | 388 | - |
| Customer security deposits | (3,050) | - | (3,050) | - |
| Net cash provided by (used in) operating activities | \$ 77,034 | \$ 295,224 | \$ 372,258 | \$ (53,152) |
| NON-CASH TRANSACTIONS | | | | |
| Capital asset construction financed by accounts payable | \$ - | \$ 668,616 | \$ 668,616 | \$ - |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
June 30, 2018

| | <u>Agency Funds</u> |
|---------------------------|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 31,660 |
| | <u>31,660</u> |
| LIABILITIES | |
| Amounts held for others | \$ 31,660 |
| | <u>31,660</u> |

The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Appomattox (the “Town”) was incorporated in 1925. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Town Council consists of a Mayor and six other Council Members. The Town is part of Appomattox County and has taxing powers subject to statewide restrictions and tax limits.

The Town provides a full range of municipal services including police, refuse collection, public improvements, planning and zoning, general administrative services, fire, recreation, and water and sewer services. Fire and first aid services are supplemented by volunteer departments. Police services are provided through an agreement with the County of Appomattox.

Discretely presented component unit

A component unit is an entity that is legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete.

The Economic Development Authority of the Town of Appomattox, Virginia (the “EDA”) was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The EDA is governed by a seven member Board of Directors appointed by Town Council and the Town is financially accountable for the EDA. The Town provides personnel assistance for some administrative and operational functions to the EDA at no charge. The EDA does not prepare separate financial statements.

The Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

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

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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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 collected 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fiduciary funds account for assets held by the Town 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. Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The Town's Agency Funds include amounts held for others in a fiduciary capacity, which includes the Abbitt Memorial Park, the Tree Board, and the ROSE Project.

The internal service fund accounts for goods or services provided by one department or other departments of the Town that benefit multiple funds. The Town's internal service fund accounts for vehicles that are shared across multiple departments for Town operations. The internal service fund is included in the governmental activities for government-wide reporting purposes. The excess revenue or expenses is allocated to the appropriate functional activity.

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

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

D. Budgets and Budgetary Accounting

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

- 1) Prior to June 1, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by Town Council.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 7) Appropriations lapse on June 30 for all Town departments.
- 8) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Cash and Cash Equivalents

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

F. Inventories

Inventories in the enterprise funds consist primarily of parts held for repairs or construction and are valued using the average cost method.

G. Prepays

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

H. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance is comprised of the following:

| | |
|-----------------------------------|------------|
| Real estate taxes | \$ 32,371 |
| Personal property taxes | 43,270 |
| Meals taxes | 20,796 |
| Community Development Block Grant | |
| Program Loans Receivable | 395,734 |
| Water fund receivables | 25,131 |
| Sewer fund receivables | 10,770 |
| | <hr/> |
| | \$ 528,072 |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

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

| | |
|----------------------------|-------------|
| Buildings and improvements | 10-40 years |
| Machinery and equipment | 5-10 years |
| Utility plant in service | 20-40 years |

J. Capitalization of Interest

The Town implemented GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in the year ended June 30, 2018. Under this statement, the requirement to capitalize interest for amounts incurred before the end of a construction period is eliminated. The requirements of this Statement are applied prospectively, resulting in no restatement to previously capitalized amounts.

K. Compensated Absences

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

L. Pensions

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present financial position report a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has the following items that qualify for reporting in this category:

- Contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the closed five year period.

In addition to liabilities, the statements that presents financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting in this category:

- One item occurs only under the modified accrual basis of accounting. The item, unavailable revenue, is reported in the governmental fund balance sheet. The governmental funds report unavailable revenue from delinquent property taxes not collected within 45 days of year end.
- Rent revenues in the water fund that will be earned in future periods and fund future years.
- Differences between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.
- Change in assumptions. This difference will be recognized in pension expense over a closed five year period.

N. Net Position

Net position in government-wide and proprietary financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. The Town had no restricted net position at June 30, 2018. Net investment in capital assets represents capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

O. Fund Balances

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances (Continued)

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Town Manager, who has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

P. Restricted Amounts

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

Q. Minimum Fund Balance Policy

Governmental funds of the Town do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by Council.

R. Estimates

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 2. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending on that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

The Town had no investments at June 30, 2018.

At June 30, the deposit and investment balances are as follows:

| | <u>Fair Value</u> |
|------------------------------------|--------------------------------|
| Deposits: | |
| Demand deposits | \$ 4,097,720 |
| Certificates of deposit | 2,293,049 |
| Cash on hand | <u>200</u> |
| Total deposits and investments | <u><u>\$ 6,390,969</u></u> |

Deposits and investments are presented on the statement of net position as follows:

| | |
|--|--------------------------------|
| Cash and cash equivalents – primary government | \$ 6,239,263 |
| Cash and cash equivalents – component unit | <u>151,706</u> |
| Total deposits and investments | <u><u>\$ 6,390,969</u></u> |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Receivables

Receivables are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|------------------------------------|-------------------------------------|-------------------|
| Receivables | | | |
| Taxes | \$ 207,460 | \$ - | \$ 207,460 |
| Accounts | 463,131 | 228,138 | 691,269 |
| | <u>670,591</u> | <u>228,138</u> | <u>898,729</u> |
| Less: allowance for uncollectibles | 492,171 | 35,901 | 528,072 |
| | <u>178,420</u> | <u>192,237</u> | <u>370,657</u> |
| Net receivables | <u>\$ 178,420</u> | <u>\$ 192,237</u> | <u>\$ 370,657</u> |

Note 4. Sale of Future Rent Revenues

During the year ended June 30, 2014, the Town entered into an agreement with AP Wireless I, LLC, under which the Town assigned its rights and title to future rent revenues under existing lease agreements with five cell phone service providers for fifty years (ending June 30, 2064). The Town will receive total payments of \$1,015,000, of which the final \$145,000 installment was received during the year ended June 30, 2018.

The total proceeds have been recorded as a deferred inflow of resources in the Town's business-type activities and water fund, along with receivables for the amounts to be collected in future fiscal years. The proceeds will be recognized as revenues over the fifty year life of the agreement.

The Town assigned approximately \$1,421,000 of future rents based on the existing lease agreements with terms ending from 2020 to 2039. Four of the five leases have increases tied to the consumer price index, which for purposes of this calculation has been assumed to increase 3% annually. These rent revenues assigned constitute all of the Town's rental revenues related to water tower sites. The estimated present value of the rent revenues under the existing leases, assuming a 4% interest rate and even collections over 25 years, is approximately \$934,000. No assumptions were made regarding future renewals.

Under the terms of the assignment agreement, AP Wireless can negotiate renewals with the existing companies. Renewals cannot be longer than the term of the assignment agreement. Should AP Wireless negotiate a renewal rate that is higher than the current inflationary rates built into the existing leases, the Town would be eligible to receive excess rents under a formula detailed in the assignment agreement. However, absent excess rents as described, the Town is not entitled to additional funds when existing leases are renewed. Additionally, under the terms of the agreement, the Town can obtain new customers/tenants on the properties and would be entitled to all of the revenues from those leases.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5. Interfund Receivables and Payables

The \$60,000 due from the sewer fund to the general fund represents cash loaned for preliminary studies of sewer line leaks. The sewer fund will repay the general fund as it has cash to do so.

Note 6. Due from Other Governments

Amounts due from other governmental units in governmental activities mainly consists of \$6,517 due from County of Appomattox for sales tax and \$116,166 receivable under the Town's Community development block grant.

Amounts due from other governmental units in the business-type activities are related to the USDA – Rural Development grant for sewer revitalization. The Town expects to receive reimbursement for all their expenditures related to this revitalization project from both awarded grants and loans. Current year expenditures totaled approximately \$1.4 million, for which the Town expects full reimbursement.

Note 7. Transfers

Interfund transfers consist of the following:

| | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Entity-Wide Only Transfer</u> | <u>Net Transfers</u> |
|-----------------------|---------------------|----------------------|--------------------------------------|----------------------|
| Governmental Funds: | | | | |
| General Fund | \$ - | \$ (59,078) | \$ - | \$ (59,078) |
| Internal Service Fund | 105,533 | - | - | 105,533 |
| | <u>\$ 105,533</u> | <u>\$ (59,078)</u> | <u>\$ -</u> | <u>\$ 46,455</u> |
| Enterprise Funds: | | | | |
| Water Fund | \$ - | \$ (17,902) | \$ - | \$ (17,902) |
| Sewer Fund | - | (28,553) | - | (28,553) |
| | <u>\$ -</u> | <u>\$ (46,455)</u> | <u>\$ -</u> | <u>\$ (46,455)</u> |

Transfers are used to (1) move revenues from the fund where statute or budget requires collection to the fund that statute or budget requires expenditure and (2) establish the internal service fund. The net transfers of the governmental funds are equivalent to the net transfers of the enterprise funds.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Capital Assets

Capital asset activity for the year was as follows:

| Governmental Activities | Beginning Balance | Increases/ Transfers | Decreases/ Transfers | Ending Balance |
|--|------------------------------|---------------------------------|---------------------------------|---------------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 107,173 | \$ - | \$ - | \$ 107,173 |
| Total capital assets, not depreciated | 107,173 | - | - | 107,173 |
| Buildings and improvements | 1,261,024 | 180,864 | - | 1,441,888 |
| Machinery and equipment | 800,850 | 26,974 | - | 827,824 |
| Total capital assets, depreciated | 2,061,874 | 207,838 | - | 2,269,712 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 317,595 | 65,675 | - | 383,270 |
| Machinery and equipment | 573,629 | 72,169 | - | 645,798 |
| Total accumulated, depreciation | 891,224 | 137,844 | - | 1,029,068 |
| Total capital assets, depreciated, net | 1,170,650 | 69,994 | - | 1,240,644 |
| Governmental activities capital assets, net | <u>\$ 1,277,823</u> | <u>\$ 69,994</u> | <u>\$ -</u> | <u>\$ 1,347,817</u> |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 8. Capital Assets (Continued)

| Business-Type Activities | Beginning Balance | Increases/ Transfers | Decreases/ Transfers | Ending Balance |
|---|------------------------------|---------------------------------|---------------------------------|---------------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 64,710 | \$ - | \$ - | \$ 64,710 |
| Construction in progress | 232,395 | 1,415,543 | - | 1,647,938 |
| Total capital assets, not depreciated | 297,105 | 1,415,543 | - | 1,712,648 |
| Utility plant in service | 16,175,073 | 19,954 | - | 16,195,027 |
| Machinery and equipment | 144,988 | 39,985 | - | 184,973 |
| Total capital assets, depreciated | 16,320,061 | 59,939 | - | 16,380,000 |
| Less accumulated depreciation for: | | | | |
| Utility plant in service | 7,912,026 | 394,876 | - | 8,306,902 |
| Machinery and equipment | 109,651 | 8,875 | - | 118,526 |
| Total accumulated depreciation | 8,021,677 | 403,751 | - | 8,425,428 |
| Total capital assets, depreciated, net | 8,298,384 | (343,812) | - | 7,954,572 |
| Business-type activities capital assets, net | <u>\$ 8,595,489</u> | <u>\$ 1,071,731</u> | <u>\$ -</u> | <u>\$ 9,667,220</u> |

Depreciation expense, not including \$50,525 reported in the internal service funds, was charged to functions/programs as follows:

| | |
|---|-------------------|
| Governmental activities | |
| Public works | \$ 51,860 |
| General government | 17,638 |
| Community development | 17,821 |
| Total depreciation expense – governmental activities | <u>\$ 87,319</u> |
| Business-type activities | |
| Water | \$ 90,047 |
| Sewer | 313,704 |
| Total depreciation expense – business-type activities | <u>\$ 403,751</u> |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 9. Line of Credit

The Town entered into a \$2,000,000 line of credit with a local financial institution to fund the costs of a construction project for the sewer system until such time the Town receives funds from permanent financing with the United States Department of Agriculture, Rural Development Agency. The line matures on June 2, 2019. The line had an interest rate of 2.27% at June 30, 2018. The outstanding balance at June 30, 2018 was \$500,859.

Note 10. Long-Term Liabilities

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligation bond | \$ 24,149 | \$ - | \$ 2,131 | \$ 22,018 | \$ 2,138 |
| Compensated absences | 15,144 | 20,878 | - | 36,022 | 8,412 |
| | <u>\$ 39,293</u> | <u>\$ 20,878</u> | <u>\$ 2,131</u> | <u>\$ 58,040</u> | <u>\$ 10,550</u> |
| Business-type activities: | | | | | |
| General obligation bond | \$ 1,118,181 | \$ - | \$ 197,809 | \$ 920,372 | \$ 197,956 |
| Compensated absences | 13,887 | 388 | - | 14,275 | 3,827 |
| | <u>\$ 1,132,068</u> | <u>\$ 388</u> | <u>\$ 197,809</u> | <u>\$ 934,647</u> | <u>\$ 201,783</u> |

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

| Fiscal Year | Governmental Activities | | Business-Type Activities | |
|--------------------|--------------------------------|-----------------|---------------------------------|------------------|
| | General Obligation Bond | | General Obligation Bond | |
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 2,138 | \$ 810 | \$ 197,956 | \$ 14,235 |
| 2020 | 2,391 | 722 | 199,346 | 12,681 |
| 2021 | 2,483 | 630 | 200,959 | 11,068 |
| 2022 | 2,578 | 535 | 123,971 | 9,392 |
| 2023 | 2,677 | 436 | 47,044 | 7,652 |
| 2024-2026 | 9,751 | 674 | 151,096 | 11,840 |
| | <u>\$ 22,018</u> | <u>\$ 3,807</u> | <u>\$ 920,372</u> | <u>\$ 66,868</u> |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

| | <u>Interest Rates</u> | <u>Date Issued</u> | <u>Final Maturity Date</u> | <u>Amount of Original Issue</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---------------------------------|---------------------------|------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| General obligation bonds: | | | | | | |
| SunTrust | 3.84% | 12-10 | 12-25 | \$ 650,000 | \$ <u>22,018</u> | \$ <u>369,714</u> |
| Virginia Resources Authority | 0.00% | 06-03 | 06-22 | \$ 3,203,000 | \$ <u>-</u> | \$ <u>550,657</u> |

Note 11. Defined Benefit Pension Plan

Plan Description

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

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

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **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. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **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.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **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. 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.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **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 1.70%. 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 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **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 calendar year from the retirement date. 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.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - 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.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **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.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **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. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. 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.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service –**
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – 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. Members are always 100% vested in the contributions that they make. 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. 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. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – 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.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced 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. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Purchase of Prior Service –**
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher or 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|----------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>9</u> |
| Inactive members: | |
| Vested inactive members | 2 |
| Non-vested inactive members | 4 |
| Inactive members active elsewhere in VRS | <u>5</u> |
| Total inactive members | 11 |
| Active members | <u>16</u> |
| Total covered employees | <u><u>36</u></u> |

Contributions

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 6.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$43,802 and \$34,348 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

The political subdivision's net pension liability (asset) was measured as of June 30, 2017. The total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|---|---|
| Inflation | 2.50% |
| General Employees – Salary increases, including inflation | 3.50 – 5.35% |
| Public Safety Employees – Salary increases, including inflation | 3.50 – 4.75% |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation* |

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Mortality rates: General employees – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) – (b) |
| Balances at June 30, 2016 | \$ 2,048,141 | \$ 2,091,977 | \$ (43,836) |
| Changes for the year: | | | |
| Service cost | 67,024 | - | 67,024 |
| Interest | 140,760 | - | 140,760 |
| Changes of assumptions | (42,148) | - | (42,148) |
| Differences between expected and actual experience | 74,216 | - | 74,216 |
| Contributions – employer | - | 34,348 | (34,348) |
| Contributions – employee | - | 28,588 | (28,588) |
| Net investment income | - | 255,629 | (255,629) |
| Benefit payments, including refunds of employee contributions | (74,563) | (74,563) | - |
| Administrative expenses | - | (1,458) | 1,458 |
| Other changes | - | (228) | 228 |
| Net changes | 165,289 | 242,316 | (77,027) |
| Balances at June 30, 2017 | \$ 2,213,430 | \$ 2,334,293 | \$ (120,863) |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

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

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

| | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---|---------------------------------------|--|---------------------------------------|
| Political subdivision's net pension liability (asset) | \$ 204,311 | \$ (120,863) | \$ (387,083) |

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$33,630. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 76,290 | \$ - |
| Change in assumptions | - | 32,436 |
| Net difference between projected and actual earnings on pension plan investments | - | 35,078 |
| Employer contributions subsequent to the measurement date | 43,802 | - |
| Total | \$ 120,092 | \$ 67,514 |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

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

The \$43,802 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Reduction to Pension Expense |
|---------------------------------|---|
| 2019 | \$ (2,091) |
| 2020 | 20,643 |
| 2021 | 9,641 |
| 2022 | (19,417) |
| 2023 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, approximately \$6,861 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Note 12. Property Taxes

The major sources of property taxes are real estate and personal property. Assessments are the responsibility of Appomattox County, while billing and collection are the Town's responsibilities.

Property taxes are levied annually on assessed values as of January 1 and are due by October 1 each year. Personal property taxes do not create a lien on property.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Property Taxes (Continued)

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30, 2018 were as follows:

| | | |
|---------------------|----|------|
| Real estate | \$ | 0.12 |
| Personal property | | 0.55 |
| Machinery and tools | | 0.55 |

Note 13. Service Contracts

Water Purchase Agreement

The Town entered into an agreement with the County of Appomattox, Virginia whereby the Town will purchase all water to supply the Town's customers from the County through the Concord-Appomattox 460 Waterline. The County agrees to provide the Town up to 250,000 gallons of water per day, with additional available provided the County has capacity. The contract further provides that all County residents who are customers of the Town's water system now and in the future will receive services at the same rate the Town charges in-Town customers. The provisional rate charged to the Town each fiscal year is based on the estimated usage for the year. The Town is billed monthly for usage. Annually, subsequent to year end, usage will be analyzed, the average daily usage will be determined, and any necessary true-up of billings will be made at that time. This true-up adjustment is not estimable and is therefore accounted for in the year it is charged to the Town. The initial term of this agreement is January 1, 2012 through December 31, 2030, with automatic ten year renewals thereafter, unless either party provides notice of intent to terminate at least two years prior to any expiration.

Waterline Maintenance Agreement

The Town entered into an agreement with the County of Appomattox, Virginia, whereby the Town will provide the County maintenance and administrative services related to the operation and upkeep of the Concord-Appomattox 460 Waterline. The County pays for labor at actual rates based on wages of those Town employees used for the work. The County also pays for equipment usage at rates as set forth by the Virginia Department of Transportation's highway maintenance program, as well as cost for all supplies and materials. In addition to maintenance and upkeep, the Town will read all meters and complete all billings each month, collect payments from County customers and remit those collections to the County. For this service, the County will pay the Town \$500 monthly, which is negotiable annually. The Town will also administer the County's Cross Connection Control program and will be paid \$100 monthly by the County for this work. That \$100 is also negotiable annually. The initial term of this agreement was January 1, 2012 through December 31, 2016, with automatic five year renewals thereafter, unless either party provides notice of intent to terminate at least six months prior to any expiration. The Town received \$43,326 from the County under this agreement for the year ended June 30, 2018.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 14. Risk Management

The Town is insured for workers' compensation, general liability, and other risks.

Workers' Compensation Insurance is provided through the Virginia Municipal League. During the year ended June 30, 2018, total premiums paid were \$23,119. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General liability and other insurance is provided through policies with the Virginia Municipal League. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$3,000,000 limit. Property insurance is covered per statement of values and is approximately \$8,400,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2018 were \$26,630.

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Note 15. Fund Balances

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

| | <u>General</u> |
|------------------------|---------------------|
| Nonspendable: | |
| Prepays | \$ 44,490 |
| Committed for: | |
| Public safety | 59,944 |
| Public works | 300,000 |
| Other capital projects | 814 |
| Total committed | <u>360,758</u> |
| Unassigned | <u>3,819,275</u> |
| Total fund balances | <u>\$ 4,224,523</u> |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 16. Performance Incentives/Tax Abatements

The Town and EDA are parties to an incentive agreement with an existing company for expansion in the Town. Incentives under this agreement related to tax rebates based on the real and tangible business property added to the Town's tax rolls. Amounts under these incentives are not due until taxes are paid by the Company and refunds are requested. Accordingly, there are no amounts accrued in the financial statements at year end for outstanding incentive agreements.

The agreement is for a period of four years with the second year abatement being \$29,960 during fiscal year 2018. The maximum potential abatement remaining under this agreement is approximately \$67,000, which will be paid evenly over the next two fiscal years.

Note 17. Commitments and Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Town management believes disallowances, if any, would not be material to the financial position of the Town.

The Town has entered into various construction contracts and projects at year end. Future amounts due under these agreements are approximately \$984,000 at year end.

Note 18. Subsequent Events

In September 2018, the EDA approved an \$8,000 donation to the Appomattox Tourism Committee. In December 2018, the EDA approved reimbursement of \$5,000 to a local business based on an incentive grant agreement entered into in October 2018.

Note 19. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

Statement No. 83, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 19. New Accounting Standards (Continued)

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting for a majority equity interest in a legally separate organization.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
June 30, 2018**

| | Plan Year | | | |
|--|---------------------|--------------------|---------------------|---------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | |
| Service cost | \$ 67,024 | \$ 61,255 | \$ 53,578 | \$ 45,979 |
| Interest on total pension liability | 140,760 | 131,061 | 121,582 | 114,928 |
| Difference between expected and actual experience | 74,216 | 20,799 | 31,720 | - |
| Changes in assumptions | (42,148) | - | - | - |
| Benefit payments, including refunds of employee contributions | (74,563) | (74,555) | (68,380) | (63,319) |
| Net change in total pension liability | 165,289 | 138,560 | 138,500 | 97,588 |
| Total pension liability – beginning | 2,048,141 | 1,909,581 | 1,771,081 | 1,673,493 |
| Total pension liability – ending | 2,213,430 | 2,048,141 | 1,909,581 | 1,771,081 |
| Plan Fiduciary Net Position | | | | |
| Contributions – employer | 34,348 | 33,126 | 32,855 | 32,161 |
| Contributions – employee | 28,588 | 48,924 | 27,379 | 23,339 |
| Net investment income | 255,629 | 37,234 | 90,217 | 269,487 |
| Benefit payments, including refunds of employee contributions | (74,563) | (74,555) | (68,380) | (63,319) |
| Administrative expenses | (1,458) | (1,259) | (1,226) | (1,444) |
| Other | (228) | (15) | (19) | 14 |
| Net change in plan fiduciary net position | 242,316 | 43,455 | 80,826 | 260,238 |
| Plan fiduciary net position – beginning | 2,091,977 | 2,048,522 | 1,967,696 | 1,707,458 |
| Plan fiduciary net position – ending | 2,334,293 | 2,091,977 | 2,048,522 | 1,967,696 |
| Net pension asset – ending | \$ (120,863) | \$ (43,836) | \$ (138,941) | \$ (196,615) |
| Plan fiduciary net position as a percentage of total pension liability | 105% | 102% | 107% | 111% |
| Covered employee payroll | \$ 597,359 | \$ 553,179 | \$ 547,579 | \$ 497,801 |
| Net pension asset as a percentage of covered employee payroll | -20% | -8% | -25% | -39% |

The plan years above are reported in the Town's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the Town's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

TOWN OF APPOMATTOX, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2018**

| Town Fiscal Year Ended June 30, | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll |
|--|--|---|---|---|---|
| 2018 | \$ 43,802 | \$ 43,802 | \$ - | \$ 755,882 | 5.79 % |
| 2017 | 34,852 | 34,852 | - | 597,359 | 5.83 |
| 2016 | 33,127 | 33,127 | - | 553,179 | 5.99 |
| 2015 | 32,855 | 32,855 | - | 547,579 | 6.00 |

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years of data is available. Additional years will be included as they become available.

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2018

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS
June 30, 2018**

| | <u>Abbitt Memorial Park</u> | <u>Tree Board</u> | <u>ROSE Project</u> | <u>Total</u> |
|---------------------------|---------------------------------|-----------------------|-------------------------|--------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,379 | \$ 408 | \$ 29,873 | \$ 31,660 |
| LIABILITIES | | | | |
| Amounts held for others | \$ 1,379 | \$ 408 | \$ 29,873 | \$ 31,660 |

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2018**

| | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2018</u> |
|----------------------------------|---------------------------------|------------------|------------------|----------------------------------|
| Abbitt Memorial Park Fund | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,379 | \$ - | \$ - | \$ 1,379 |
| Liabilities | | | | |
| Amounts held for others | \$ 1,379 | \$ - | \$ - | \$ 1,379 |
| Tree Board | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 408 | \$ - | \$ - | \$ 408 |
| Liabilities | | | | |
| Amounts held for others | \$ 408 | \$ - | \$ - | \$ 408 |
| ROSE Project | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 30,568 | \$ 30 | \$ 725 | \$ 29,873 |
| Liabilities | | | | |
| Amounts held for others | \$ 30,568 | \$ 30 | \$ 725 | \$ 29,873 |
| Total All Agency Funds | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 32,355 | \$ 30 | \$ 725 | \$ 31,660 |
| Liabilities | | | | |
| Amounts held for others | \$ 32,355 | \$ 30 | \$ 725 | \$ 31,660 |

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**DISCRETELY PRESENTED COMPONENT
UNIT – APPOMATTOX ECONOMIC
DEVELOPMENT AUTHORITY**

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT –
APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2018

| | Enterprise Fund |
|---------------------------|----------------------------|
| | <hr/> |
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 151,706 |
| | <hr/> |
| Total assets | 151,706 |
| | <hr/> |
| NET POSITION | |
| Unrestricted | 151,706 |
| | <hr/> |
| Total net position | \$ 151,706 |
| | <hr/> <hr/> |

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT –
APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2018

| | <u>Enterprise Fund</u> |
|---------------------------------------|----------------------------|
| OPERATING EXPENSES | |
| Incentive grants | \$ 29,960 |
| Total operating expenses | <u>29,960</u> |
| Operating loss | <u>(29,960)</u> |
| NONOPERATING REVENUES | |
| Contributions from Town of Appomattox | 29,960 |
| Interest income | <u>152</u> |
| Total nonoperating revenues | <u>30,112</u> |
| Change in net position | 152 |
| NET POSITION JULY 1 | <u>151,554</u> |
| NET POSITION JUNE 30 | <u><u>\$ 151,706</u></u> |

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT –
APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2018**

| | Enterprise Fund |
|--|----------------------------|
| OPERATING ACTIVITIES | |
| Incentive payments | \$ (29,960) |
| Net cash used in operating activities | (29,960) |
| NONCAPITAL FINANCING ACTIVITIES | |
| Contributions from Town of Appomattox | 29,960 |
| Interest income | 152 |
| Net cash provided by noncapital financing activities | 30,112 |
| Net increase in cash and cash equivalents | 152 |
| CASH AND CASH EQUIVALENTS | |
| Beginning at July 1 | 151,554 |
| Ending at June 30 | \$ 151,706 |

SUPPORTING SCHEDULES

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|------------------|---|
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 160,000 | \$ 160,000 | \$ 167,637 | \$ 7,637 |
| Personal property taxes | 116,000 | 116,000 | 94,214 | (21,786) |
| Penalties and interest | 5,000 | 5,000 | 8,045 | 3,045 |
| Total general property taxes | <u>281,000</u> | <u>281,000</u> | <u>269,896</u> | <u>(11,104)</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | 70,000 | 70,000 | 76,253 | 6,253 |
| Consumption taxes | 7,100 | 7,100 | 7,454 | 354 |
| Communications sales and use taxes | 6,000 | 6,000 | 6,265 | 265 |
| Business license taxes | 170,000 | 170,000 | 191,903 | 21,903 |
| Motor vehicle licenses | 25,000 | 25,000 | 32,726 | 7,726 |
| Bank stock taxes | 130,000 | 130,000 | 164,265 | 34,265 |
| Lodging taxes | 60,000 | 60,000 | 84,272 | 24,272 |
| Restaurant food tax | 1,025,000 | 1,025,000 | 1,116,586 | 91,586 |
| Mobile home tilting taxes | - | - | 1,815 | 1,815 |
| Cigarette tax | 150,000 | 150,000 | 161,363 | 11,363 |
| Total other local taxes | <u>1,643,100</u> | <u>1,643,100</u> | <u>1,842,902</u> | <u>199,802</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Permits and other licenses | <u>2,000</u> | <u>2,000</u> | <u>750</u> | <u>(1,250)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | 9,000 | 9,000 | 13,530 | 4,530 |
| Revenue from use of property | <u>9,000</u> | <u>9,000</u> | <u>8,951</u> | <u>(49)</u> |
| Total revenue from use of money and property | <u>18,000</u> | <u>18,000</u> | <u>22,481</u> | <u>4,481</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | <u>500</u> | <u>500</u> | <u>28,165</u> | <u>27,665</u> |
| Total revenue from local sources | <u>1,944,600</u> | <u>1,944,600</u> | <u>2,164,194</u> | <u>219,594</u> |

(Continued)

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Auto rental taxes and fees | \$ 5,200 | \$ 5,200 | \$ 11,227 | \$ 6,027 |
| Personal property tax relief funds | - | - | 23,106 | 23,106 |
| Total non-categorical aid | 5,200 | 5,200 | 34,333 | 29,133 |
| Categorical aid: | | | | |
| Fire programs | 10,000 | 10,000 | 20,000 | 10,000 |
| DCJS grants for law enforcement | 41,408 | 41,408 | 42,740 | 1,332 |
| Total categorical aid | 51,408 | 51,408 | 62,740 | 11,332 |
| Total revenue from the Commonwealth | 56,608 | 56,608 | 97,073 | 40,465 |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Community development block grants | - | 704,124 | 359,395 | (344,729) |
| Total revenue from the Federal Government | - | 704,124 | 359,395 | (344,729) |
| Total governmental fund | \$ 2,001,208 | \$ 2,705,332 | \$ 2,620,662 | \$ (84,670) |

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------|---|
| General government administration: | | | | |
| Legislative: | | | | |
| Town council | \$ 51,110 | \$ 51,110 | \$ 36,731 | \$ 14,379 |
| General and financial administration: | | | | |
| Town manager and financial administration | 375,400 | 375,400 | 418,759 | (43,359) |
| Legal services | 15,000 | 15,000 | 33,528 | (18,528) |
| Other professional services | 55,000 | 55,000 | 39,427 | 15,573 |
| Total general and financial administration | 445,400 | 445,400 | 491,714 | (46,314) |
| Total general government administration | 496,510 | 496,510 | 528,445 | (31,935) |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department | 88,980 | 88,980 | 90,882 | (1,902) |
| Fire and rescue services: | | | | |
| Fire department | 27,000 | 27,000 | 39,810 | (12,810) |
| Total public safety | 115,980 | 115,980 | 130,692 | (14,712) |
| Public works: | | | | |
| Maintenance of highways, streets, bridges, and sidewalks: | | | | |
| Street maintenance | 716,320 | 716,320 | 526,787 | 189,533 |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | 97,000 | 97,000 | 110,748 | (13,748) |
| Maintenance of general buildings, grounds, and equipment: | | | | |
| Town shop | 34,750 | 34,750 | 25,963 | 8,787 |
| Town office | 26,200 | 26,200 | 25,204 | 996 |
| Other properties | 917,400 | 1,621,524 | 689,211 | 932,313 |
| Total maintenance of general buildings, grounds, and equipment | 978,350 | 1,682,474 | 740,378 | 942,096 |
| Total public works | 1,791,670 | 2,495,794 | 1,377,913 | 1,117,881 |

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------|----------------------------|----------------------------|----------------------------|---|
| Community development: | | | | |
| Planning and community development: | | | | |
| Tourism | \$ 86,360 | \$ 146,360 | \$ 75,461 | \$ 70,899 |
| Zoning | 750 | 750 | - | 750 |
| Civic organization contributions | 11,500 | 11,500 | 7,783 | 3,717 |
| Contribution to EDA | - | - | 29,960 | (29,960) |
| Total community development | <u>98,610</u> | <u>158,610</u> | <u>113,204</u> | <u>45,406</u> |
| Capital outlay: | | | | |
| Capital outlay | <u>10,000</u> | <u>10,000</u> | <u>-</u> | <u>10,000</u> |
| Debt service: | | | | |
| Principal retirement | 2,132 | 2,132 | 2,131 | 1 |
| Interest and fiscal charges | <u>759</u> | <u>759</u> | <u>759</u> | <u>-</u> |
| Total debt service | <u>2,891</u> | <u>2,891</u> | <u>2,890</u> | <u>1</u> |
| Total governmental fund | <u><u>\$ 2,515,661</u></u> | <u><u>\$ 3,279,785</u></u> | <u><u>\$ 2,153,144</u></u> | <u><u>\$ 1,126,641</u></u> |

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OTHER INFORMATION

TABLE 1

TOWN OF APPOMATTOX, VIRGINIA

GOVERNMENT-WIDE REVENUES –
Last Ten Fiscal Years
UNAUDITED

| Fiscal Years Ended June 30, | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | Totals |
|-----------------------------------|----------------------------|--|--|------------------------------|-------------------------|--|---------------|--|--------------|
| 2018 | \$ 1,254,666 | \$ 106,066 | \$ 1,768,778 | \$ 264,996 | \$ 1,842,902 | \$ 30,464 | \$ 162,328 | \$ 34,333 | \$ 5,464,533 |
| 2017 | 1,238,338 | 99,175 | 267,630 | 278,958 | 1,838,414 | 27,172 | 143,812 | 31,242 | 3,924,741 |
| 2016 | 1,204,922 | 97,043 | - | 279,971 | 1,630,607 | 24,996 | 199,848 | 32,253 | 3,469,640 |
| 2015 | 1,186,135 | 130,403 | 96,340 | 300,218 | 1,564,129 | 24,771 | 154,574 | 26,618 | 3,483,188 |
| 2014 | 1,122,979 | 101,768 | - | 277,135 | 1,245,677 | 24,941 | 198,712 | 27,167 | 2,998,379 |
| 2013 | 972,681 | 49,408 | - | 299,191 | 932,892 | 24,230 | 298,651 | 28,158 | 2,605,211 |
| 2012 | 1,002,443 | 49,408 | 47,114 | 311,373 | 892,403 | 29,666 | 193,272 | 26,100 | 2,551,779 |
| 2011 | 1,037,886 | 52,633 | 419,211 | 306,429 | 855,880 | 28,830 | 232,491 | 26,255 | 2,959,615 |
| 2010 | 1,123,728 | 59,195 | - | 247,797 | 835,476 | 137,672 | 154,151 | 26,146 | 2,584,165 |
| 2009 | 1,120,106 | 147,154 | - | 317,467 | 695,525 | 177,509 | 20,208 | 26,673 | 2,504,642 |

TABLE 2

GOVERNMENT-WIDE EXPENSES BY FUNCTION –
Last Ten Fiscal Years
UNAUDITED

| Fiscal Years Ended June 30, | General Government Administration | Public Safety | Public Works | Community Development | Non- Departmental | Interest on Long-Term Debt | Enterprise Funds | Totals |
|-----------------------------------|---|------------------|-----------------|--------------------------|----------------------|----------------------------------|---------------------|--------------|
| 2018 | \$ 554,814 | \$ 130,692 | \$ 1,333,019 | \$ 131,022 | \$ - | \$ 759 | \$ 1,382,800 | \$ 3,533,106 |
| 2017 | 433,305 | 129,267 | 1,165,383 | 131,832 | - | 907 | 1,348,455 | 3,209,149 |
| 2016 | 387,692 | 72,776 | 706,056 | 72,738 | - | 979 | 1,439,273 | 2,679,514 |
| 2015 | 383,457 | 85,359 | 684,119 | 387,049 | - | 1,051 | 1,452,390 | 2,993,425 |
| 2014 | 396,479 | 107,189 | 621,139 | 72,904 | - | 1,120 | 1,381,016 | 2,579,847 |
| 2013 | 333,298 | 55,902 | 597,701 | 94,030 | - | 2,997 | 1,534,198 | 2,618,126 |
| 2012 | 317,829 | 199,149 | 487,529 | 97,023 | - | 3,973 | 1,481,671 | 2,587,174 |
| 2011 | 390,828 | 77,912 | 484,136 | 162,748 | - | 3,324 | 1,386,590 | 2,505,538 |
| 2010 | 352,030 | 85,018 | 423,375 | 242,760 | - | 3,907 | 1,394,278 | 2,501,368 |
| 2009 | 348,200 | 74,104 | 404,724 | 195,154 | 5,024 | 2,168 | 1,280,990 | 2,310,364 |

TABLE 3

TOWN OF APPOMATTOX, VIRGINIA

**GENERAL GOVERNMENTAL REVENUES BY SOURCE –
Last Ten Fiscal Years
UNAUDITED**

| Fiscal Years Ended June 30, | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, and Regulatory Licenses | Investment Earnings | Charges for Services | Inter- Governmental | Other | Recovered Costs | Totals |
|--|---------------------------------------|----------------------------------|---|--------------------------------|---------------------------------|--------------------------------|--------------|----------------------------|---------------|
| 2018 | \$ 269,896 | \$ 1,842,902 | \$ 750 | \$ 22,481 | \$ - | \$ 456,468 | \$ 28,165 | \$ - | \$ 2,620,662 |
| 2017 | 265,408 | 1,838,414 | 2,325 | 19,440 | - | 351,613 | 12,554 | - | 2,489,754 |
| 2016 | 285,858 | 1,630,607 | 725 | 18,275 | - | 81,661 | 56,739 | - | 2,073,865 |
| 2015 | 290,028 | 1,564,129 | 1,575 | 17,037 | - | 105,026 | 21,986 | - | 1,999,781 |
| 2014 | 290,328 | 1,245,677 | 2,340 | 15,987 | - | 86,575 | 19,343 | - | 1,660,250 |
| 2013 | 303,632 | 932,892 | 725 | 13,698 | 4,303 | 69,566 | 11,767 | - | 1,336,583 |
| 2012 | 325,681 | 892,403 | 1,565 | 16,948 | 12,622 | 75,508 | 7,879 | - | 1,332,606 |
| 2011 | 301,404 | 855,880 | 5,675 | 15,538 | 16,194 | 78,888 | 24,707 | - | 1,298,286 |
| 2010 | 303,440 | 835,476 | 1,650 | 108,091 | 19,406 | 85,341 | 35,042 | - | 1,388,446 |
| 2009 | 311,512 | 695,525 | 379 | 102,385 | - | 97,254 | 12,904 | 131 | 1,220,090 |

TABLE 4

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION –
Last Ten Fiscal Years ⁽¹⁾
UNAUDITED**

| Fiscal Years Ended June 30, | General Government Administration | Public Safety | Public Works | Community Development | Debt Service | Capital Outlay | Totals |
|--|--|--------------------------|-------------------------|----------------------------------|-------------------------|-----------------------|---------------|
| 2018 | \$ 528,445 | \$ 130,692 | \$ 1,377,913 | \$ 113,204 | \$ 2,890 | \$ - | \$ 2,153,144 |
| 2017 | 420,056 | 129,267 | 1,210,430 | 102,519 | 2,890 | - | 1,865,162 |
| 2016 | 364,635 | 72,776 | 987,729 | 66,586 | 2,890 | - | 1,494,616 |
| 2015 | 380,617 | 85,359 | 704,390 | 383,759 | 2,890 | (252) | 1,556,763 |
| 2014 | 395,081 | 107,189 | 726,401 | 70,863 | 2,890 | 1,845 | 1,304,269 |
| 2013 | 335,104 | 55,902 | 809,842 | 91,988 | 83,406 | 13,784 | 1,390,026 |
| 2012 | 343,408 | 199,149 | 579,310 | 101,415 | 26,812 | 4,965 | 1,255,059 |
| 2011 | 404,446 | 77,912 | 498,145 | 208,594 | 23,144 | 291 | 1,212,532 |
| 2010 | 344,385 | 85,018 | 434,941 | 239,042 | 24,853 | - | 1,128,239 |
| 2009 | 354,436 | 74,104 | 368,527 | 191,402 | 12,031 | 5,024 | 1,005,524 |

⁽¹⁾ Excludes capital projects/outlay expenditures

TABLE 5

TOWN OF APPOMATTOX, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS –
Last Ten Fiscal Years
UNAUDITED

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Current Tax Collections | Percentage of Levy | Delinquent Tax Collections | Total Tax Collections | Percentage of Levy | Outstanding Delinquent Taxes | Percent of Delinquent Taxes to Levy |
|---|---|--|-------------------------------|---|--------------------------------------|-------------------------------|---|--|
| 2018 | \$ 274,000 | \$ 267,660 | 97.69 % | \$ 10,266 | \$ 277,926 | 101.43 % | \$ 96,775 | 35.32 % |
| 2017 | 282,771 | 267,385 | 94.56 | 4,596 | 271,981 | 96.18 | 87,132 | 30.81 |
| 2016 | 271,994 | 243,379 | 89.48 | 46,447 | 289,826 | 106.56 | 75,834 | 27.88 |
| 2015 | 283,264 | 241,668 | 85.32 | 52,911 | 294,579 | 103.99 | 101,461 | 35.82 |
| 2014 | 294,551 | 278,835 | 94.66 | 16,129 | 294,964 | 100.14 | 124,330 | 42.21 |
| 2013 | 305,787 | 287,010 | 93.86 | 33,504 | 320,514 | 104.82 | 78,746 | 25.75 |
| 2012 | 343,989 | 321,908 | 93.58 | 22,936 | 344,844 | 100.25 | 86,530 | 25.15 |
| 2011 | 332,882 | 291,946 | 87.70 | 27,240 | 319,186 | 95.89 | 90,266 | 27.12 |
| 2010 | 331,652 | 314,266 | 94.76 | 9,546 | 323,812 | 97.64 | 70,143 | 21.15 |
| 2009 | 314,854 | 296,459 | 94.16 | 13,226 | 309,685 | 98.36 | 37,879 | 12.03 |

Source: Tax Records of the Town.

Note: Collections exclude penalties and interest and include PPTRA from the Commonwealth.

TABLE 6

TOWN OF APPOMATTOX, VIRGINIA

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY –
Last Ten Fiscal Years
UNAUDITED**

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools | Mobile Homes | Public Utilities | | Total Assessed Value |
|----------------|----------------|----------------------|------------------------|-----------------|------------------|----------------------|----------------------------|
| | | | | | Real Estate | Personal Property | |
| 2018 | \$ 146,653,200 | \$ 17,842,282 | \$ 246,659 | \$ 629,653 | \$ 4,808,743 | \$ 35,957 | \$ 170,216,494 |
| 2017 | 146,028,900 | 19,694,582 | 390,960 | 620,110 | 5,488,043 | 35,957 | 172,258,552 |
| 2016 | 141,805,800 | 19,168,920 | 447,546 | 620,210 | 5,100,751 | 35,957 | 167,179,184 |
| 2015 | 140,101,700 | 19,007,260 | 316,436 | 656,436 | 4,790,974 | 35,957 | 164,908,763 |
| 2014 | 146,645,100 | 19,571,634 | 171,532 | 706,780 | 4,915,597 | 35,957 | 172,046,600 |
| 2013 | 146,133,000 | 20,765,428 | 142,600 | 586,560 | 4,795,866 | 35,957 | 172,459,411 |
| 2012 | 142,742,800 | 19,689,002 | 8,802,900 | 580,100 | 3,737,510 | 35,957 | 175,588,269 |
| 2011 | 139,049,400 | 16,484,732 | 9,313,336 | 635,448 | 3,753,824 | 35,957 | 169,272,697 |
| 2010 | 134,065,100 | 15,588,160 | 11,925,200 | 741,953 | 3,753,824 | 35,957 | 166,110,194 |
| 2009 | 132,100,800 | 15,301,104 | 13,600,804 | 708,610 | 3,860,292 | - | 165,571,610 |

Note: Real estate is assessed at 100% of fair market value.

TABLE 7

TOWN OF APPOMATTOX, VIRGINIA

**PROPERTY TAX RATES –
Last Ten Fiscal Years
UNAUDITED**

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools | Mobile Homes | Public Utilities | |
|----------------|----------------|----------------------|------------------------|-----------------|------------------|----------------------|
| | | | | | Real Estate | Personal Property |
| 2018 | \$ 0.12 | \$ 0.55 | \$ 0.55 | \$ 0.12 | \$ 0.12 | \$ 0.55 |
| 2017 | 0.12 | 0.55 | 0.55 | 0.12 | 0.12 | 0.55 |
| 2016 | 0.12 | 0.55 | 0.55 | 0.12 | 0.12 | 0.55 |
| 2015 | 0.13 | 0.55 | 0.55 | 0.13 | 0.13 | 0.55 |
| 2014 | 0.13 | 0.55 | 0.55 | 0.13 | 0.13 | 0.55 |
| 2013 | 0.13 | 0.55 | 0.55 | 0.13 | 0.13 | 0.55 |
| 2012 | 0.13 | 0.55 | 0.55 | 0.13 | 0.13 | 0.55 |
| 2011 | 0.13 | 0.55 | 0.55 | 0.13 | 0.13 | 0.55 |
| 2010 | 0.13 | 0.55 | 0.55 | 0.13 | 0.13 | 0.55 |
| 2009 | 0.13 | 0.55 | 0.55 | 0.13 | 0.13 | 0.55 |

TABLE 8

TOWN OF APPOMATTOX, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2018
UNAUDITED

| | | |
|--|----------------|-----------------------------|
| Assessed value of real estate, January 1, 2017 | | <u>\$ 146,028,900</u> |
| Legal debt limit, (10% of assessed value) | | 14,602,890 |
| Total bonded debt | <u>942,389</u> | <u>942,389</u> |
| Legal debt margin | | <u><u>\$ 13,660,501</u></u> |

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COMPLIANCE SECTION

TOWN OF APPOMATTOX, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2018

| Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number | Award Date | Federal Catalogue Number | Pass-Through Entity Identifying Number | Expenditures |
|---|---------------|--------------------------------|---|---------------------|
| <u>United States Department of Agriculture - Rural Development</u> | | | | |
| Direct payments: | | | | |
| Water and Waste Disposal Systems for Rural Communities | 04/01/15 | 10.760 | N/A | \$ 1,409,383 |
| Total Department of Health and Human Services | | | | <u>1,409,383</u> |
| <u>Department of Housing and Urban Development</u> | | | | |
| Pass-through payments: | | | | |
| Virginia Department of Housing and Community Development Community Development Block Grant | 04/01/16 | 14.228 | 15-14 | 359,395 |
| Total Department of Health and Human Services | | | | <u>359,395</u> |
| Total expenditures of federal awards | | | | <u>\$ 1,768,778</u> |

Notes:

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the Town and is presented on the modified accrual basis of accounting. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

The Town did not elect to use the 10% de minimis indirect cost rate.

At June 30, 2018, the Town had no outstanding loan balances requiring continuing disclosure.

**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**

Honorable Members of Town Council
Town of Appomattox, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the Town of Appomattox, Virginia (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 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.

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 internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. **We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2010-001, to be a material weakness.**

Internal Control over Financial Reporting (Continued)

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. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2018-001.**

Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
March 21, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Appomattox, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB 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, 2018. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 of the Town'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, 2018.

Report on Internal Control over Compliance

Management of the Town 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 Town's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, 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's internal control over compliance.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
March 21, 2019

TOWN OF APPOMATTOX, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2018

As more fully described in the 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 performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Virginia Retirement System
- Procurement Laws

LOCAL COMPLIANCE MATTERS

Town Charter

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

TOWN OF APPOMATTOX, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency and one material weakness** relating to the audit of the financial statements were reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

| Name of Program | CFDA # |
|--|--------|
| Water and Waste Disposal Systems for Rural Communities | 10.760 |

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Town of Appomattox was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2010-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. A lack of segregation of duties exists in several functions related to accounts payable and cash disbursements; general ledger functions, bank account access and reconciliations; payroll processing, inventory ordering, receiving, and monitoring; billings and accounts receivable. Fully eliminating some of these control deficiencies may not be possible without additional personnel.

Recommendation:

Steps should be taken to eliminate the performance of conflicting duties where possible.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2010-001: Segregation of Duties (Material Weakness) (Continued)

Management's Response:

There have been some changes in fiscal year 2018. The Town will continue to segregate more duties as we intend to hire a part-time customer service employee during fiscal year 2019. The additional position should allow for additional measures to occur within this area.

2016-002: Auditor Adjustments and Financial Statement Close (Significant Deficiency)

Condition:

As part of our audit, we posted journal entries deemed significant to the financial statements to enable them to be presented in accordance with generally accepted accounting principles. We posted corrections to capital assets, CDBG loans, and sewer grants receivable.

Recommendation:

Management should take steps to ensure that all balances are reconciled and all transactions are properly recorded and reflected in accordance with generally accepted accounting principles.

Management's Response:

The Town hired an outside consultant to assist with the year end entries. She helped the Town complete the entries that the auditors had assisted with previously. The Town had new transactions involving their CDBG loans that caused some recording issues.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2018-001: Budget Appropriations

Condition:

Expenditures exceeded budgeted appropriations in the Town manager and financial administration, legal services, police, fire, and refuse collection and disposal departments.

Recommendation:

Steps should be taken to ensure that excess expenditures over budgeted appropriations are approved by Town Council and the budget amended accordingly.

Management's Response:

The Town Treasurer will monitor the expenditures in these departments and request budget amendments from Town Council in the future to eliminate the possibility of overages.

TOWN OF APPOMATTOX, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2010-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. A lack of segregation of duties exists in several functions related to accounts payable and cash disbursements; general ledger functions, bank account access and reconciliations; payroll processing, inventory ordering, receiving, and monitoring; billings and accounts receivable. Fully eliminating some of these control deficiencies may not be possible without additional personnel.

Recommendation:

Steps should be taken to eliminate the performance of conflicting duties where possible.

Management's Response:

There has been no significant change to these policies. An additional position was created and filled in the later part of fiscal year 2017. The additional position should allow for additional measures to occur within this area. The Town secured a permanent Town Manager and Town Treasurer at the end of fiscal year 2017. Management concludes that since the positions are fully staffed, these concerns are being addressed and corrected as feasible.

Current Status:

The above is still applicable for fiscal year 2018.

2017-001: Reconciliation of Cash Accounts (Material Weakness)

Condition:

Bank reconciliations were not completed timely for fiscal year 2017. All bank reconciliations for September 2016 through June 2017 were completed in December 2017. Additionally those reconciliations did not indicate that they were reviewed upon their completion. Performing timely monthly bank reconciliations reduces the risk that errors will go undetected and/or uncorrected. It is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Recommendation:

We recommend all bank accounts be reconciled each month prior to preparation of monthly financial statements. We recommend management continue to take steps to ensure that bank reconciliations are completed timely going forward.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2017-001: Reconciliation of Cash Accounts (Material Weakness) (Continued)

Management's Response:

The Town is working to resolve this issue after the turnover.

Current Status:

All bank reconciliations were noted by management as prepared timely for fiscal year 2018.