



FINANCIAL REPORT

JUNE 30, 2020

TOWN OF APPOMATTOX, VIRGINIA

FINANCIAL REPORT

June 30, 2020

TOWN OF APPOMATTOX, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF APPOMATTOX, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

TOWN COUNCIL

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

ECONOMIC DEVELOPMENT AUTHORITY BOARD

Dr. Jeffrey Garrett, Chairman
Mary Lou Spiggle, Vice-Chairman
Kenny Gobble
Tom Utz
Christopher Simpson
C. Lewis McDearmon, Jr.
Claudie G. Puckette

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, 2020, 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 Authorities, Boards, and Commissions*, 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, 2020, 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.

Change in Accounting Principle

As described in Note 20 to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions* in 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Other Matters (Continued)

Other Information (Continued)

The combining statements, the financial statements of the discretely presented component unit, and the supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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, 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 December 3, 2020 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
December 3, 2020

BASIC FINANCIAL STATEMENTS

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,885,050	\$ 2,391,747	\$ 6,276,797	\$ 81,083
Receivables, net (Note 3)	164,012	182,981	346,993	-
Due from other governments (Note 6)	38,500	1,409,383	1,447,883	-
Internal balances (Note 5)	866,319	(866,319)	-	-
Inventories	-	140,539	140,539	-
Net pension asset (Note 11)	9,194	3,862	13,056	-
Capital assets (Note 8)				
Nondepreciable	168,626	358,456	527,082	-
Depreciable, net	1,406,910	8,992,970	10,399,880	-
Total assets	6,538,611	12,613,619	19,152,230	81,083
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows (Note 11)	136,671	57,407	194,078	-
Other postemployment benefits-related deferred outflows (Note 12)	52,273	12,005	64,278	-
Total deferred outflows of resources	188,944	69,412	258,356	-
LIABILITIES				
Accounts payable and accrued liabilities	152,023	74,952	226,975	-
Accrued payroll and related liabilities	21,012	4,501	25,513	-
Accrued interest payable	-	6,031	6,031	-
Customer security deposits	-	37,920	37,920	-
Line of credit payable (Note 9)	-	608,981	608,981	-
Long-term liabilities (Note 10)				
Net other post-employment benefits liability (Note 12)	52,047	11,953	64,000	-
Due within one year (Note 10)	18,429	202,598	221,027	-
Due in more than one year (Note 10)	43,508	325,306	368,814	-
Total liabilities	287,019	1,272,242	1,559,261	-
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows (Note 11)	25,587	10,748	36,335	-
OPEB-related deferred inflows (Note 12)	3,253	747	4,000	-
Unearned revenue (Note 4)	-	893,200	893,200	-
Total deferred inflows of resources	28,840	904,695	933,535	-
NET POSITION				
Net investment in capital assets	1,557,876	8,828,534	10,386,410	-
Restricted for:				
Pension	9,194	3,862	13,056	-
Unrestricted	4,844,626	1,673,698	6,518,324	81,083
Total net position	\$ 6,411,696	\$ 10,506,094	\$ 16,917,790	\$ 81,083

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

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	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	\$ 555,242	\$ -	\$ -	\$ -	\$ (555,242)	\$ -	\$ (555,242)	\$ -
Public safety	138,149	-	56,052	-	(82,097)	-	(82,097)	-
Public works	1,562,345	15,125	-	229,232	(1,317,988)	-	(1,317,988)	-
Community development	175,895	-	-	-	(175,895)	-	(175,895)	-
Interest on long-term debt	670	-	-	-	(670)	-	(670)	-
Total governmental activities	2,432,301	15,125	56,052	229,232	(2,131,892)	-	(2,131,892)	-
Business-type activities								
Water	557,319	407,261	30,737	-	-	(119,321)	(119,321)	-
Sewer	883,563	843,465	-	-	-	(40,098)	(40,098)	-
Total business-type activities	1,440,882	1,250,726	30,737	-	-	(159,419)	(159,419)	-
Total primary government	\$ 3,873,183	\$ 1,265,851	\$ 86,789	\$ 229,232	(2,131,892)	(159,419)	(2,291,311)	-
Component Unit								
Economic Development Authority	\$ 83,994	\$ -	\$ -	\$ -	-	-	-	(83,994)
General revenues:								
Property taxes					293,819	-	293,819	-
Meals taxes					1,162,514	-	1,162,514	-
Sales and use taxes					84,145	-	84,145	-
Bank stock taxes					177,013	-	177,013	-
Business license taxes					196,861	-	196,861	-
Cigarette taxes					153,750	-	153,750	-
Other local taxes					113,022	-	113,022	-
Intergovernmental revenue not restricted to specific programs					48,279	-	48,279	-
Town contribution					-	-	-	26,101
Investment earnings					24,139	9,699	33,838	124
Other					45,819	144,014	189,833	-
Transfers					(7,949)	7,949	-	-
Total general revenues					2,291,412	161,662	2,453,074	26,225
Change in net position					159,520	2,243	161,763	(57,769)
NET POSITION AT JULY 1					6,252,176	10,503,851	16,756,027	138,852
NET POSITION AT JUNE 30					\$ 6,411,696	\$ 10,506,094	\$ 16,917,790	\$ 81,083

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

TOWN OF APPOMATTOX, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUND
June 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,821,275
Receivables, net	164,012
Due from other governments	38,500
Due from other funds	<u>904,737</u>
Total assets	<u><u>\$ 4,928,524</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 150,357
Accrued payroll and related liabilities	<u>21,012</u>
Total liabilities	<u>171,369</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>10,867</u>
FUND BALANCE (Note 16)	
Committed	360,758
Unassigned	<u>4,385,530</u>
Total fund balance	<u>4,746,288</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 4,928,524</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, 2020**

Ending fund balance – governmental fund **\$ 4,746,288**

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	\$ 2,675,285	
Less: accumulated depreciation	(1,099,749)	
		1,575,536

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the fund.		10,867
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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		
Pensions	136,671	
Other postemployment benefits	52,273	
Deferred inflows of resources related to pension		
Pensions	(25,587)	
Other postemployment benefits	(3,253)	
Net pension asset	9,194	
Net other postemployment benefits liability	(52,047)	
		117,251

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	264,800	
Less: internal service fund capital assets	(241,109)	
		23,691

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

General obligation bond	(17,660)	
Compensated absences	(44,277)	
		(61,937)

Total net position – governmental activities		\$ 6,411,696
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TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year Ended June 30, 2020**

	<u>General Fund</u>
REVENUES	
General property taxes (Note 13)	\$ 289,278
Other local taxes	1,887,305
Permits, privilege fees, and regulatory licenses	15,125
Revenue from use of money and property	24,139
Other	45,819
Intergovernmental	333,563
	<hr/>
Total revenues	2,595,229
	<hr/>
EXPENDITURES	
Current	
General government administration	725,900
Public safety	138,149
Public works	1,397,296
Community development	153,804
Debt service	
Principal retirement	2,220
Interest and other fiscal charges	670
	<hr/>
Total expenditures	2,418,039
	<hr/>
Excess of revenues over expenditures	177,190
	<hr/>
OTHER FINANCING SOURCES (USES)	
Transfers out	(212,556)
	<hr/>
Total other financing sources (uses)	(212,556)
	<hr/>
Net change in fund balance	(35,366)
	<hr/>
FUND BALANCE AT JULY 1	4,781,654
	<hr/>
FUND BALANCE AT JUNE 30	\$ 4,746,288
	<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, 2020**

Net change in fund balance – governmental fund \$ (35,366)

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	\$ 232,871	
Depreciation expense	<u>(101,656)</u>	
		131,215

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

Unavailable revenue		4,541
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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	(32,630)	
Pension expense	<u>(6,665)</u>	
		(39,295)

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

Employer other postemployment benefits contributions	(3,479)	
Other postemployment benefits expense	<u>452</u>	
		(3,027)

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		2,220
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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.

		(12,443)
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Transfers into internal service fund reported with governmental activities.

		204,607
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The net loss (excluding transfers) of the internal service fund is reported with governmental activities.

		<u>(92,932)</u>
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Change in net position of governmental activities		<u><u>\$ 159,520</u></u>
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The Notes to Financial Statements are an integral part of this statement.

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 254,000	\$ 254,000	\$ 289,278	\$ 35,278
Other local taxes	1,573,500	1,573,500	1,887,305	313,805
Permits, privilege fees, and regulatory licenses	1,000	1,000	15,125	14,125
Revenue from use of money and property	18,000	18,000	24,139	6,139
Other	1,900	1,900	45,819	43,919
Intergovernmental	86,809	1,044,576	333,563	(711,013)
Total revenues	<u>1,935,209</u>	<u>2,892,976</u>	<u>2,595,229</u>	<u>(297,747)</u>
EXPENDITURES				
Current				
General government administration	657,670	756,465	725,900	30,565
Public safety	135,644	135,644	138,149	(2,505)
Public works	1,732,281	2,690,048	1,397,296	1,292,752
Community development	136,700	160,765	153,804	6,961
Capital outlay	5,000	5,000	-	5,000
Debt service				
Principal retirement	2,221	2,221	2,220	1
Interest and other fiscal charges	670	670	670	-
Total expenditures	<u>2,670,186</u>	<u>3,750,813</u>	<u>2,418,039</u>	<u>1,332,774</u>
Excess (deficiency) of revenues over expenditures	<u>(734,977)</u>	<u>(857,837)</u>	<u>177,190</u>	<u>1,035,027</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(78,942)</u>	<u>(121,867)</u>	<u>(212,556)</u>	<u>(90,689)</u>
Total other financing sources (uses)	<u>(78,942)</u>	<u>(121,867)</u>	<u>(212,556)</u>	<u>(90,689)</u>
Net change in fund balance	<u>\$ (813,919)</u>	<u>\$ (979,704)</u>	<u>\$ (35,366)</u>	<u>\$ 944,338</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, 2020**

	Business-Type Activities Enterprise Funds			
	Water	Sewer	Total	Internal Service Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,788,379	\$ 603,368	\$ 2,391,747	\$ 63,775
Receivable, net	51,744	131,237	182,981	-
Due from other governments	-	1,409,383	1,409,383	-
Inventories	126,819	13,720	140,539	-
Total current assets	1,966,942	2,157,708	4,124,650	63,775
NONCURRENT ASSETS				
Net pension asset	1,271	2,591	3,862	-
Capital assets, net	1,573,894	7,777,532	9,351,426	241,109
Total noncurrent assets	1,575,165	7,780,123	9,355,288	241,109
Total assets	3,542,107	9,937,831	13,479,938	304,884
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	18,896	38,511	57,407	-
Other postemployment benefits related deferred outflows	4,838	7,167	12,005	-
	23,734	45,678	69,412	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	43,854	31,098	74,952	1,666
Accrued payroll and related liabilities	2,148	2,353	4,501	-
Accrued interest payable	2,344	3,687	6,031	-
Customer security deposits	37,920	-	37,920	-
Due to other funds	-	866,319	866,319	38,418
Line of credit payable	-	608,981	608,981	-
Current portion of long-term debt	17,061	184,075	201,136	-
Current portion of compensated absences	691	771	1,462	-
Total current liabilities	104,018	1,697,284	1,801,302	40,084
NONCURRENT LIABILITIES				
Net other postemployment benefits liability	4,817	7,136	11,953	-
Long-term debt	97,611	224,145	321,756	-
Compensated absences	1,169	2,381	3,550	-
Total noncurrent liabilities	103,597	233,662	337,259	-
Total liabilities	207,615	1,930,946	2,138,561	40,084
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	3,538	7,210	10,748	-
Other postemployment benefits related deferred outflows	301	446	747	-
Unearned revenue	893,200	-	893,200	-
Total deferred inflows of resources	897,039	7,656	904,695	-
NET POSITION				
Net investment in capital assets	1,459,222	7,369,312	8,828,534	241,109
Pension	1,271	2,591	3,862	-
Unrestricted	1,000,694	673,004	1,673,698	23,691
Total net position	\$ 2,461,187	\$ 8,044,907	\$ 10,506,094	\$ 264,800

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, 2020**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
OPERATING REVENUES				
Charges for services	\$ 407,261	\$ 843,465	\$ 1,250,726	\$ -
Other	45,732	86,218	131,950	-
Total operating revenues	452,993	929,683	1,382,676	-
OPERATING EXPENSES				
Salaries	77,888	104,563	182,451	-
Fringe benefits	33,480	41,586	75,066	-
Maintenance	123,180	83,275	206,455	-
Utilities	9,572	55,447	65,019	-
Materials and supplies	21,666	150,192	171,858	38,122
Sample testing	6,451	20,774	27,225	-
Professional services	34,102	42,877	76,979	-
Other	5,335	7,415	12,750	-
Purchased water	143,886	-	143,886	-
Depreciation	97,144	357,692	454,836	54,810
Total operating expenses	552,704	863,821	1,416,525	92,932
Operating income (loss)	(99,711)	65,862	(33,849)	(92,932)
NONOPERATING REVENUES (EXPENSES)				
Interest income	4,892	4,807	9,699	-
Interest expense	(4,615)	(19,742)	(24,357)	-
Rent income	42,801	-	42,801	-
Net nonoperating revenues (expenses)	43,078	(14,935)	28,143	-
Income (loss) before contributions and transfers	(56,633)	50,927	(5,706)	(92,932)
Transfers in	16,464	26,461	42,925	204,607
Transfers out	(19,649)	(15,327)	(34,976)	-
Change in net position	(59,818)	62,061	2,243	111,675
NET POSITION AT JULY 1	2,521,005	7,982,846	10,503,851	153,125
NET POSITION AT JUNE 30	\$ 2,461,187	\$ 8,044,907	\$ 10,506,094	\$ 264,800

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, 2020**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 396,153	\$ 810,848	\$ 1,207,001	\$ -
Payments to suppliers	(357,790)	(381,276)	(739,066)	(38,317)
Payments to and for employees	(111,951)	(150,221)	(262,172)	-
Other receipts	52,255	86,218	138,473	-
Net cash provided by (used in) operating activities	(21,333)	365,569	344,236	(38,317)
NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	16,464	26,461	42,925	204,607
Transfers to other funds	(19,649)	(15,327)	(34,976)	-
Net cash provided by (used in) non-capital financing activities	(3,185)	11,134	7,949	204,607
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(64,418)	(183,767)	(248,185)	(107,609)
Borrowings on line of credit	-	608,981	608,981	-
Principal paid on debt	(16,433)	(183,090)	(199,523)	-
Interest paid on debt	(4,957)	(20,266)	(25,223)	-
Net cash provided by (used in) capital and related financing activities	(85,808)	221,858	136,050	(107,609)
INVESTING ACTIVITIES				
Water tower rent	22,501	-	22,501	-
Interest received	4,892	4,807	9,699	-
Net cash provided by investing activities	27,393	4,807	32,200	-
Net increase (decrease) in cash and cash equivalents	(82,933)	603,368	520,435	58,681
CASH AND CASH EQUIVALENTS				
Beginning of year	1,871,312	-	1,871,312	5,094
Ending of year	\$ 1,788,379	\$ 603,368	\$ 2,391,747	\$ 63,775

(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, 2020**

	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)	\$ (99,711)	\$ 65,862	\$ (33,849)	\$ (92,932)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	97,144	357,692	454,836	54,810
Pension expense net of employer contribution	3,424	4,965	8,389	-
Other postemployment benefit expense net of employer contribution	280	415	695	-
Change in certain assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(4,920)	(32,617)	(37,537)	-
Inventory	(29,134)	1,083	(28,051)	-
Increase (decrease) in:				
Accounts payable and accrued liabilities	15,219	(24,287)	(9,068)	(195)
Compensated absences	(3,970)	(7,544)	(11,514)	-
Customer security deposits	335	-	335	-
Net cash provided by (used in) operating activities	<u>\$ (21,333)</u>	<u>\$ 365,569</u>	<u>\$ 344,236</u>	<u>\$ (38,317)</u>
NON-CASH TRANSACTIONS				
Capital asset construction financed by accounts payable	<u>\$ 1,771</u>	<u>\$ 5,326</u>	<u>\$ 7,097</u>	<u>\$ -</u>

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, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 26,938
	<u> </u>
LIABILITIES	
Amounts held for others	\$ 26,938
	<u> </u>

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

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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, 2020

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, 2020

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

G. Prepaids

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	\$ 23,975
Personal property taxes	25,839
Meals taxes	7,137
Community Development Block Grant	
Program loans receivable	307,356
Water fund receivables	9,589
Sewer fund receivables	22,374
	<hr/>
	\$ 396,270

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 \$5,000 or more 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. 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.

K. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present net 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 and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows/Inflows of Resources (Continued)

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Change in assumptions on pension and OPEB plans. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan.

In addition to liabilities, the statements that present financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods 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.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Change in assumptions on pension and OPEB plans. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan.
- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or a deferred inflow as appropriate.

M. 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's restricted net position at June 30, 2020 consists of the net pension asset. 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.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

N. 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.

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).

O. 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.

P. 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.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Q. 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.

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, 2020.

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

	<u>Fair Value</u>
Deposits:	
Demand deposits	\$ 4,026,543
Certificates of deposit	2,331,137
Cash on hand	200
	<hr/>
Total deposits and investments	\$ 6,357,880
	<hr/>

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

Cash and cash equivalents – primary government	\$ 6,276,797
Cash and cash equivalents – component unit	81,083
	<hr/>
Total deposits and investments	\$ 6,357,880
	<hr/>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3. Receivables

Receivables are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Receivables			
Taxes	\$ 179,972	\$ -	\$ 179,972
Accounts	348,347	214,944	563,291
	<u>528,319</u>	<u>214,944</u>	<u>743,263</u>
Less: allowance for uncollectibles	364,307	31,963	396,270
	<u>164,012</u>	<u>182,981</u>	<u>346,993</u>
Net receivables	<u>\$ 164,012</u>	<u>\$ 182,981</u>	<u>\$ 346,993</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 received total payments of \$1,015,000.

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 \$893,000. 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, 2020

Note 5. Interfund Receivables and Payables

The \$866,319 due from the sewer fund to the general fund represents cash provided to cover operations and costs for preliminary studies of sewer line leaks and capital expenditures for the sewer fund I&I project. The Town has been approved for both loan and grant funding from Rural Development, however, the Town has not received any of those funds as of year-end. The Town anticipates receiving funding in fiscal year 2021. The sewer fund will repay the Town at that time.

Additionally, the general fund provided funding to the internal service fund for a vehicle purchase. This \$38,418 will be repaid in 2021 when funds are available to do so.

Note 6. Due from Other Governments

Amounts due from other governmental units in governmental activities mainly consists of \$15,725 due from County of Appomattox for sales tax and \$18,796 due from the Commonwealth of Virginia for a downtown revitalization 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 \$119,000, for which the Town expects full reimbursement.

Note 7. Transfers

Interfund transfers consist of the following:

	Transfers In	Transfers Out	Entity-Wide Only Transfer	Net Transfers
Governmental Funds:				
General Fund	\$ -	\$ (212,556)	\$ -	\$ (212,556)
Internal Service Fund	204,607	-	-	204,607
	<u>\$ 204,607</u>	<u>\$ (212,556)</u>	<u>\$ -</u>	<u>\$ (7,949)</u>
Enterprise Funds:				
Water Fund	\$ 16,464	\$ (19,649)	\$ -	\$ (3,185)
Sewer Fund	26,461	(15,327)	-	11,134
	<u>\$ 42,925</u>	<u>\$ (34,976)</u>	<u>\$ -</u>	<u>\$ 7,949</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) fund each fund's share of 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, 2020

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
Construction in progress	30,883	122,970	92,400	61,453
Total capital assets, not depreciated	138,056	122,970	92,400	168,626
Buildings and improvements	1,483,378	-	-	1,483,378
Machinery and equipment	937,830	309,910	224,459	1,023,281
Total capital assets, depreciated	2,421,208	309,910	224,459	2,506,659
Less accumulated depreciation for:				
Buildings and improvements	454,709	70,443	-	525,152
Machinery and equipment	713,033	86,023	224,459	574,597
Total accumulated, depreciation	1,167,742	156,466	224,459	1,099,749
Total capital assets, depreciated, net	1,253,466	153,444	-	1,406,910
Governmental activities capital assets, net	<u>\$ 1,391,522</u>	<u>\$ 276,414</u>	<u>\$ 92,400</u>	<u>\$ 1,575,536</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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	1,820,490	169,910	1,696,654	293,746
Total capital assets, not depreciated	1,885,200	169,910	1,696,654	358,456
Utility plant in service	16,366,357	1,714,554	24,525	18,056,386
Machinery and equipment	189,975	12,122	20,700	181,397
Total capital assets, depreciated	16,556,332	1,726,676	45,225	18,237,783
Less accumulated depreciation for:				
Utility plant in service	8,704,993	443,145	24,525	9,123,613
Machinery and equipment	130,209	11,691	20,700	121,200
Total accumulated depreciation	8,835,202	454,836	45,225	9,244,813
Total capital assets, depreciated, net	7,721,130	1,271,840	-	8,992,970
Business-type activities capital assets, net	<u>\$ 9,606,330</u>	<u>\$ 1,441,750</u>	<u>\$ 1,696,654</u>	<u>\$ 9,351,426</u>

Depreciation expense, not including \$54,810 reported in the internal service funds, was charged to functions/programs as follows:

Governmental activities	
Public works	\$ 47,291
General government	32,274
Community development	22,091
Total depreciation expense – governmental activities	<u>\$ 101,656</u>
Business-type activities	
Water	\$ 97,144
Sewer	357,692
Total depreciation expense – business-type activities	<u>\$ 454,836</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 9. Line of Credit

The Town entered into a \$2,500,000 line of credit with a local financial institution to aid in cash flows until such time the Town receives funds from permanent financing with the United States Department of Agriculture, Rural Development Agency. The line matures on August 27, 2020. The line had an interest rate of 2.25% at June 30, 2020. The outstanding balance at June 30, 2020 was \$608,981.

Note 10. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bond	\$ 19,880	\$ -	\$ 2,220	\$ 17,660	\$ 2,306
Compensated absences	<u>31,834</u>	<u>12,443</u>	<u>-</u>	<u>44,277</u>	<u>16,123</u>
	<u>\$ 51,714</u>	<u>\$ 12,443</u>	<u>\$ 2,220</u>	<u>\$ 61,937</u>	<u>\$ 18,429</u>
Business-type activities:					
General obligation bond	\$ 722,415	\$ -	\$ 199,523	\$ 522,892	\$ 201,136
Compensated absences	<u>16,526</u>	<u>-</u>	<u>11,514</u>	<u>5,012</u>	<u>1,462</u>
	<u>\$ 738,941</u>	<u>\$ -</u>	<u>\$ 211,037</u>	<u>\$ 527,904</u>	<u>\$ 202,598</u>

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Obligation Bond</u>		<u>General Obligation Bond</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,306	\$ 630	\$ 201,136	\$ 11,068
2022	2,578	535	123,970	9,392
2023	2,677	436	47,044	7,652
2024	2,780	333	48,850	5,846
2025	2,887	226	50,726	3,971
2026	<u>4,432</u>	<u>116</u>	<u>51,166</u>	<u>2,023</u>
	<u>\$ 17,660</u>	<u>\$ 2,276</u>	<u>\$ 522,892</u>	<u>\$ 39,952</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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>17,660</u>	\$ <u>286,896</u>
Virginia Resources Authority	0.00%	06-03	06-22	\$ 3,203,000	\$ <u>-</u>	\$ <u>235,996</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 the VRS Retirement Plan upon employment. This multi-employer agent 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 available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Members</u>
Inactive members or their beneficiaries currently receiving benefits	<u>10</u>
Inactive members:	
Vested inactive members	2
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	<u>13</u>
Active members	<u>18</u>
Total covered employees	<u><u>41</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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 was 6% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$46,337 and \$44,899 for the years ended June 30, 2020 and 2019, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

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, 2018, 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, 2019.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13
	Inflation		2.50
			<u>7.63 %</u>

- * The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund allocation.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2019 on, participating employers are assumed to continue 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, 2018	\$ 2,352,068	\$ 2,514,963	\$ (162,895)
Changes for the year:			
Service cost	77,132	-	77,132
Interest	162,156	-	162,156
Differences between expected and actual experience	74,409	-	74,409
Assumption changes	86,696	-	86,696
Contributions – employer	-	44,899	(44,899)
Contributions – employee	-	37,370	(37,370)
Net investment income	-	170,017	(170,017)
Benefit payments, including refunds of employee contributions	(71,118)	(71,118)	-
Administrative expenses	-	(1,624)	1,624
Other changes	-	(108)	108
Net changes	329,275	179,436	149,839
Balances at June 30, 2019	\$ 2,681,343	\$ 2,694,399	\$ (13,056)

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ 384,372	\$ (13,056)	\$ (327,271)

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$92,154. At June 30, 2020, 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	\$ 83,980	\$ -
Change in assumptions	63,761	13,012
Net difference between projected and actual earnings on pension plan investments	-	23,323
Employer contributions subsequent to the measurement date	46,337	-
Total	\$ 194,078	\$ 36,335

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

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

The \$46,337 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Increase to Pension Expense</u>
2021	\$ 53,881
2022	23,678
2023	32,575
2024	1,272
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, \$8,184 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:

Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.

Total rate:

1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.

June 30, 2020 Contribution

\$4,278

June 30, 2019 Contribution

\$3,999

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2019 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$ 64,000
June 30, 2019 proportion	0.00392%
June 30, 2018 proportion	0.00000%
June 30, 2020 expense	\$ 11,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,000	\$ 1,000
Change in assumptions	4,000	2,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion	52,000	-
Employer contributions subsequent to the measurement date	4,278	-
	<hr/>	<hr/>
Total	<u>\$ 64,278</u>	<u>\$ 4,000</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Group Life Insurance Program

Year Ending June 30,	Increase to OPEB Expense
2021	\$ 10,000
2022	10,000
2023	11,000
2024	11,000
2025	11,000
Thereafter	3,000

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- * 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 percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<u>Group Life Insurance Program</u>
Total OPEB liability	\$ 3,390,238
Plan fiduciary net position	1,762,972
Employers' net OPEB liability (asset)	1,627,266
Plan fiduciary net position as a percentage of total OPEB liability	52.00%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return on VRS investments was determined as described in Note 11.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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, 2019, the rate contributed by the employer for the OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 84,000	\$ 64,000	\$ 48,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. 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, 2020

Note 13. 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, 2020 were as follows:

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

Note 14. 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 \$30,737 from the County under this agreement for the year ended June 30, 2020.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 15. 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, 2020, total premiums paid were \$20,646. 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, 2020 were \$869.

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 16. 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>
Committed for:	
Public safety	\$ 59,944
Public works	300,000
Other capital projects	<u>814</u>
Total committed	360,758
Unassigned	<u>4,385,530</u>
Total fund balances	<u><u>\$ 4,746,288</u></u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 17. 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 fourth year abatement totaling \$26,101 during fiscal year 2020.

Note 18. 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 \$1,100,000 at year-end.

In December 2019, the Town entered into an agreement to lease, and eventually purchase, the Concord-Appomattox 460 waterline. The current water purchase and maintenance agreements discussed in Note 14 remain in effect at June 30, 2020. Currently, the Town anticipates the purchase of the waterline will take place subsequent to December 31, 2030.

Note 19. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Town's operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Town received revenue during fiscal year 2020. As such, the Town's financial condition and liquidity may be negatively impacted for fiscal year 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Town's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 20. Adoption of New Standard

In the current year, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This adoption is to account for the Town's new participation in the Virginia Retirement System group info program and is not a change from prior accounting standards followed. As a result, there are no changes to prior financial statements.

Note 21. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95**, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84**, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87**, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In August 2018, the GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. 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 that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 21. New Accounting Standards (Continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32***. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
June 30, 2020**

	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 77,132	\$ 49,858	\$ 67,024	\$ 61,255	\$ 53,578	\$ 45,979
Interest on total pension liability	162,156	152,432	140,760	131,061	121,582	114,928
Difference between expected and actual experience	74,409	8,011	74,216	20,799	31,720	-
Changes in assumptions	86,696	-	(42,148)	-	-	-
Benefit payments, including refunds of employee contributions	(71,118)	(71,663)	(74,563)	(74,555)	(68,380)	(63,319)
Net change in total pension liability	329,275	138,638	165,289	138,560	138,500	97,588
Total pension liability – beginning	<u>2,352,068</u>	<u>2,213,430</u>	<u>2,048,141</u>	<u>1,909,581</u>	<u>1,771,081</u>	<u>1,673,493</u>
Total pension liability – ending	<u>2,681,343</u>	<u>2,352,068</u>	<u>2,213,430</u>	<u>2,048,141</u>	<u>1,909,581</u>	<u>1,771,081</u>
Plan Fiduciary Net Position						
Contributions – employer	44,899	43,920	34,348	33,126	32,855	32,161
Contributions – employee	37,370	36,665	28,588	48,924	27,379	23,339
Net investment income	170,017	173,363	255,629	37,234	90,217	269,487
Benefit payments, including refunds of employee contributions	(71,118)	(71,663)	(74,563)	(74,555)	(68,380)	(63,319)
Administrative expenses	(1,624)	(1,459)	(1,458)	(1,259)	(1,226)	(1,444)
Other	(108)	(156)	(228)	(15)	(19)	14
Net change in plan fiduciary net position	179,436	180,670	242,316	43,455	80,826	260,238
Plan fiduciary net position – beginning	<u>2,514,963</u>	<u>2,334,293</u>	<u>2,091,977</u>	<u>2,048,522</u>	<u>1,967,696</u>	<u>1,707,458</u>
Plan fiduciary net position – ending	<u>2,694,399</u>	<u>2,514,963</u>	<u>2,334,293</u>	<u>2,091,977</u>	<u>2,048,522</u>	<u>1,967,696</u>
Net pension asset – ending	<u>\$ (13,056)</u>	<u>\$ (162,895)</u>	<u>\$ (120,863)</u>	<u>\$ (43,836)</u>	<u>\$ (138,941)</u>	<u>\$ (196,615)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>100%</u>	<u>107%</u>	<u>105%</u>	<u>102%</u>	<u>107%</u>	<u>111%</u>
Covered employee payroll	<u>\$ 757,569</u>	<u>\$ 755,882</u>	<u>\$ 597,359</u>	<u>\$ 553,179</u>	<u>\$ 547,579</u>	<u>\$ 497,801</u>
Net pension asset as a percentage of covered employee payroll	<u>-2%</u>	<u>-22%</u>	<u>-20%</u>	<u>-8%</u>	<u>-25%</u>	<u>-39%</u>

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.

The Notes to Required Supplementary Information are an integral part of this schedule.

TOWN OF APPOMATTOX, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2020**

Town Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 46,337	\$ 46,337	\$ -	\$ 822,462	5.63 %
2019	44,899	44,899	-	757,569	5.93
2018	43,920	43,920	-	755,882	5.81
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, no earlier data is available. Additional years will be included as they become available.

TOWN OF APPOMATTOX, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance					
2020	0.00392 %	\$ 64,000	\$ 757,569	8.45 %	52.00 %

Schedule is intended to show information for 10 years. Since 2020 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

TOWN OF APPOMATTOX, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance					
2020	\$ 4,278	\$ 4,278	\$ -	\$ 822,462	0.52 %

Schedule is intended to show information for 10 years. Since 2020 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2020

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty Disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty Disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty Disability rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

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OTHER SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS
June 30, 2020**

	Abbitt Memorial Park	Tree Board	ROSE Project	Total
ASSETS				
Cash and cash equivalents	\$ 1,381	\$ 408	\$ 25,149	\$ 26,938
LIABILITIES				
Amounts held for others	\$ 1,381	\$ 408	\$ 25,149	\$ 26,938

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2020**

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Abbitt Memorial Park Fund				
Assets				
Cash and cash equivalents	\$ 1,379	\$ 2	\$ -	\$ 1,381
Liabilities				
Amounts held for others	\$ 1,379	\$ 2	\$ -	\$ 1,381
Tree Board				
Assets				
Cash and cash equivalents	\$ 408	\$ -	\$ -	\$ 408
Liabilities				
Amounts held for others	\$ 408	\$ -	\$ -	\$ 408
ROSE Project				
Assets				
Cash and cash equivalents	\$ 28,374	\$ 25	\$ 3,250	\$ 25,149
Liabilities				
Amounts held for others	\$ 28,374	\$ 25	\$ 3,250	\$ 25,149
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 30,161	\$ 27	\$ 3,250	\$ 26,938
Liabilities				
Amounts held for others	\$ 30,161	\$ 27	\$ 3,250	\$ 26,938

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

TOWN OF APPOMATTOX, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –
 APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
 STATEMENT OF NET POSITION – PROPRIETARY FUND
 June 30, 2020**

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	<u>\$ 81,083</u>
Total assets	<u>81,083</u>
NET POSITION	
Unrestricted	<u>81,083</u>
Total net position	<u><u>\$ 81,083</u></u>

TOWN OF APPOMATTOX, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –
APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUND
June 30, 2020**

	Enterprise Fund
OPERATING EXPENSES	
Incentive grants	\$ 41,101
Business license stimulus refunds	42,857
Other operating expenses	36
	<hr/>
Total operating expenses	83,994
	<hr/>
Operating loss	(83,994)
	<hr/>
NONOPERATING REVENUES	
Contributions from Town of Appomattox	26,101
Interest income	124
	<hr/>
Total nonoperating revenues	26,225
	<hr/>
Change in net position	(57,769)
	<hr/>
NET POSITION JULY 1	138,852
	<hr/>
NET POSITION JUNE 30	\$ 81,083
	<hr/> <hr/>

TOWN OF APPOMATTOX, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –
 APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
 STATEMENT OF CASH FLOWS – PROPRIETARY FUND
 Year Ended June 30, 2020**

	Enterprise Fund
OPERATING ACTIVITIES	
Incentive payments	\$ (41,101)
Business license stimulus refunds	(42,857)
Other operating expenses	(36)
	<u>(83,994)</u>
Net cash used in operating activities	<u>(83,994)</u>
NONCAPITAL FINANCING ACTIVITIES	
Contributions from Town of Appomattox	26,101
Interest income	124
	<u>26,225</u>
Net cash provided by noncapital financing activities	<u>26,225</u>
Net decrease in cash and cash equivalents	(57,769)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>138,852</u>
Ending at June 30	<u><u>\$ 81,083</u></u>

SUPPORTING SCHEDULES

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 162,000	\$ 162,000	\$ 187,496	\$ 25,496
Personal property taxes	87,000	87,000	88,851	1,851
Penalties and interest	5,000	5,000	12,931	7,931
Total general property taxes	<u>254,000</u>	<u>254,000</u>	<u>289,278</u>	<u>35,278</u>
Other local taxes:				
Local sales and use taxes	70,000	70,000	84,145	14,145
Consumption taxes	7,000	7,000	6,011	(989)
Communications sales and use taxes	11,000	11,000	5,828	(5,172)
Business license taxes	150,000	150,000	196,861	46,861
Motor vehicle licenses	25,000	25,000	31,330	6,330
Bank stock taxes	130,000	130,000	177,013	47,013
Lodging taxes	70,000	70,000	69,853	(147)
Restaurant food tax	1,000,000	1,000,000	1,162,514	162,514
Mobile home tilting taxes	500	500	-	(500)
Cigarette tax	110,000	110,000	153,750	43,750
Total other local taxes	<u>1,573,500</u>	<u>1,573,500</u>	<u>1,887,305</u>	<u>313,805</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>1,000</u>	<u>1,000</u>	<u>15,125</u>	<u>14,125</u>
Revenue from use of money and property:				
Revenue from use of money	9,000	9,000	14,971	5,971
Revenue from use of property	<u>9,000</u>	<u>9,000</u>	<u>9,168</u>	<u>168</u>
Total revenue from use of money and property	<u>18,000</u>	<u>18,000</u>	<u>24,139</u>	<u>6,139</u>
Miscellaneous revenue:				
Miscellaneous	<u>1,900</u>	<u>1,900</u>	<u>45,819</u>	<u>43,919</u>
Total revenue from local sources	<u>1,848,400</u>	<u>1,848,400</u>	<u>2,261,666</u>	<u>413,266</u>

(Continued)

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from the Commonwealth:				
Non-categorical aid:				
Auto rental taxes and fees	\$ 5,000	\$ 5,000	\$ 4,377	\$ (623)
Personal property tax relief funds	23,107	23,107	23,106	(1)
Total non-categorical aid	28,107	28,107	27,483	(624)
Categorical aid:				
Other grants	-	700,000	2,000	(698,000)
Fire programs	10,000	10,000	10,000	-
DCJS grants for law enforcement	44,322	44,322	46,052	1,730
Total categorical aid	54,322	754,322	58,052	(696,270)
Total revenue from the Commonwealth	82,429	782,429	85,535	(696,894)
Revenue from the Federal Government:				
Categorical aid:				
Community development block grants	4,380	262,147	215,793	(46,354)
Downtown revitalization grant	-	-	32,235	32,235
Total categorical aid	4,380	262,147	248,028	(14,119)
Total revenue from the Federal Government	4,380	262,147	248,028	(14,119)
Total governmental fund	\$ 1,935,209	\$ 2,892,976	\$ 2,595,229	\$ (297,747)

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration:				
Legislative:				
Town council	\$ 51,500	\$ 94,957	\$ 86,873	\$ 8,084
General and financial administration:				
Town manager and financial administration	488,170	543,508	534,734	8,774
Legal services	40,000	40,000	61,129	(21,129)
Other professional services	78,000	78,000	43,164	34,836
Total general and financial administration	606,170	661,508	639,027	22,481
Total general government administration	657,670	756,465	725,900	30,565
Public safety:				
Law enforcement and traffic control:				
Police department	94,644	94,644	98,504	(3,860)
Fire and rescue services:				
Fire department	41,000	41,000	39,645	1,355
Total public safety	135,644	135,644	138,149	(2,505)
Public works:				
Maintenance of highways, streets, bridges, and sidewalks:				
Street maintenance	857,560	857,560	718,400	139,160
Sanitation and waste removal:				
Refuse collection and disposal	115,000	115,000	120,605	(5,605)
Maintenance of general buildings, grounds, and equipment:				
Town shop	33,250	33,250	22,239	11,011
Town office	27,100	27,100	22,347	4,753
Other properties	699,371	1,657,138	513,705	1,143,433
Total maintenance of general buildings, grounds, and equipment	759,721	1,717,488	558,291	1,159,197
Total public works	1,732,281	2,690,048	1,397,296	1,292,752

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Planning and community development:				
Tourism	\$ 103,200	\$ 118,265	\$ 91,245	\$ 27,020
Zoning	22,000	22,000	15,431	6,569
Civic organization contributions	11,500	20,500	21,027	(527)
Contribution to EDA	-	-	26,101	(26,101)
Total community development	<u>136,700</u>	<u>160,765</u>	<u>153,804</u>	<u>6,961</u>
Capital outlay:				
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Debt service:				
Principal retirement	2,221	2,221	2,220	1
Interest and fiscal charges	<u>670</u>	<u>670</u>	<u>670</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>\$ 2,670,186</u>	<u>\$ 3,750,813</u>	<u>\$ 2,418,039</u>	<u>\$ 1,332,774</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
2020	\$ 1,265,851	\$ 86,789	\$ 229,232	\$ 293,819	\$ 1,887,305	\$ 33,838	\$ 189,833	\$ 48,279	\$ 4,034,946
2019	1,267,548	96,383	103,311	264,865	1,871,916	30,269	205,282	31,013	3,870,587
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

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
2020	\$ 555,242	\$ 138,149	\$ 1,562,345	\$ 175,895	\$ -	\$ 670	\$ 1,440,882	\$ 3,873,183
2019	584,089	143,074	965,792	152,316	-	752	1,449,404	3,295,427
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

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
2020	\$ 289,278	\$ 1,887,305	\$ 15,125	\$ 24,139	\$ -	\$ 333,563	\$ 45,819	\$ -	\$ 2,595,229
2019	276,737	1,871,916	1,900	22,244	-	188,648	61,695	-	2,423,140
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

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
2020	\$ 725,900	\$ 138,149	\$ 1,397,296	\$ 153,804	\$ 2,890	\$ -	\$ 2,418,039
2019	593,501	143,074	925,053	130,225	2,890	-	1,794,743
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

⁽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
2020	\$ 288,806	\$ 273,066	94.55 %	\$ 3,282	\$ 276,348	95.69 %	\$ 64,396	22.30 %
2019	283,601	273,495	96.44	5,835	279,330	98.49	89,782	31.66
2018	282,045	267,660	94.90	10,266	277,926	98.54	96,775	34.31
2017	292,680	267,385	91.36	4,596	271,981	92.93	87,132	29.77
2016	284,968	243,379	85.41	46,447	289,826	101.70	75,834	26.61
2015	295,543	241,668	81.77	52,911	294,579	99.67	101,461	34.33
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

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	
2020	\$ 150,889,500	\$ 17,913,329	\$ 413,561	\$ 683,163	\$ 5,062,517	\$ 35,957	\$ 174,998,027
2019	148,956,400	17,491,567	401,801	658,329	4,670,068	35,957	172,214,122
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

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
2020	\$ 0.12	\$ 0.55	\$ 0.55	\$ 0.12	\$ 0.12	\$ 0.55
2019	0.12	0.55	0.55	0.12	0.12	0.55
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

TABLE 8

TOWN OF APPOMATTOX, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2020
UNAUDITED

Assessed value of real estate, January 1, 2019		<u>\$ 150,889,500</u>
Legal debt limit, (10% of assessed value)		15,088,950
Total bonded debt	<u>\$ 540,552</u>	<u>540,552</u>
Legal debt margin		<u><u>\$ 14,548,398</u></u>

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COMPLIANCE SECTION

**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 Authorities, Boards, and Commissions*, 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 3, 2020.

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) as a basis for designing 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 responses, 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 responses 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 responses 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 financial statements. 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 2020-001.**

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 responses. 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
December 3, 2020

TOWN OF APPOMATTOX, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

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:

We are currently as segregated as staffing allows and continue to apply segregation of duties as much as possible with limited staffing.

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 taxes receivable, sewer grant receivable, meals tax receivables, and miscellaneous accounts 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:

Financial information was partially converted prior to year end (accounts payable only) into the new software. Originally, we followed the suggestion of the software company to convert all financial information as of June 1. After speaking with the consultant, we decided to close Logics as a complete year. However, the accounts payable remained in the new software separated from all other applications. This made it challenging with year end reports and reconciliation between the two systems. Instead, we completed the conversion in sixty days to bring the financial information back together as quickly as possible. I do not foresee this occurring again as we have completed the conversion by July 30, within sixty days.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-001: Budget Appropriations

Condition:

Expenditures exceeded budgeted appropriations in the public safety function for the year ended June 30, 2020.

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:

Management will take steps to ensure budget amendments happen timely in the future.