



FINANCIAL REPORT

JUNE 30, 2019

TOWN OF APPOMATTOX, VIRGINIA

FINANCIAL REPORT

June 30, 2019

TOWN OF APPOMATTOX, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF APPOMATTOX, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2019

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

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

APPOINTED OFFICIALS

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

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Appomattox, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Appomattox, Virginia (the "Town"), as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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 November 26, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 26, 2019

BASIC FINANCIAL STATEMENTS

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,779,786	\$ 1,871,312	\$ 5,651,098	\$ 138,852
Receivables, net (Note 3)	164,622	145,444	310,066	-
Due from other governments (Note 6)	10,612	1,409,383	1,419,995	-
Internal balances (Note 5)	866,319	(866,319)	-	-
Inventories	-	112,488	112,488	-
Net pension asset (Note 11)	118,973	43,922	162,895	-
Capital assets (Note 8)				
Nondepreciable	138,056	1,885,200	2,023,256	-
Depreciable, net	1,253,466	7,721,130	8,974,596	-
Total assets	6,331,834	12,322,560	18,654,394	138,852
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows (Note 11)	72,951	26,931	99,882	-
LIABILITIES				
Accounts payable and accrued liabilities	55,848	130,048	185,896	-
Accrued payroll and related liabilities	12,696	6,726	19,422	-
Accrued interest payable	-	6,897	6,897	-
Customer security deposits	-	37,585	37,585	-
Long-term liabilities (Note 10)				
Due within one year	10,154	203,620	213,774	-
Due in more than one year	41,560	535,321	576,881	-
Total liabilities	120,258	920,197	1,040,455	-
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows (Note 11)	32,351	11,943	44,294	-
Unearned revenue (Note 4)	-	913,500	913,500	-
Total deferred inflows of resources	32,351	925,443	957,794	-
NET POSITION				
Net investment in capital assets	1,371,642	8,883,915	10,255,557	-
Unrestricted	4,880,534	1,619,936	6,500,470	138,852
Total net position	\$ 6,252,176	\$ 10,503,851	\$ 16,756,027	\$ 138,852

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

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		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	\$ 584,089	\$ -	\$ -	\$ -	\$ (584,089)	\$ -	\$ (584,089)	\$ -
Public safety	143,074	-	54,324	-	(88,750)	-	(88,750)	-
Public works	965,792	1,900	-	103,311	(860,581)	-	(860,581)	-
Community development	152,316	-	-	-	(152,316)	-	(152,316)	-
Interest on long-term debt	752	-	-	-	(752)	-	(752)	-
Total governmental activities	1,846,023	1,900	54,324	103,311	(1,686,488)	-	(1,686,488)	-
Business-type activities								
Water	517,535	415,880	42,059	-	-	(59,596)	(59,596)	-
Sewer	931,869	849,768	-	-	-	(82,101)	(82,101)	-
Total business-type activities	1,449,404	1,265,648	42,059	-	-	(141,697)	(141,697)	-
Total primary government	\$ 3,295,427	\$ 1,267,548	\$ 96,383	\$ 103,311	(1,686,488)	(141,697)	(1,828,185)	-
Component Unit								
Economic Development Authority	\$ 43,827	\$ -	\$ -	\$ -	-	-	-	(43,827)
General revenues:								
Property taxes					264,865	-	264,865	-
Meals taxes					1,122,498	-	1,122,498	-
Sales and use taxes					83,179	-	83,179	-
Bank stock taxes					183,342	-	183,342	-
Business license taxes					199,000	-	199,000	-
Cigarette taxes					157,613	-	157,613	-
Other local taxes					126,284	-	126,284	-
Intergovernmental revenue not restricted to specific programs					31,013	-	31,013	-
Town contribution					-	-	-	30,827
Investment earnings					22,244	8,025	30,269	146
Other					61,695	143,587	205,282	-
Transfers					38,934	(38,934)	-	-
Total general revenues					2,290,667	112,678	2,403,345	30,973
Change in net position					604,179	(29,019)	575,160	(12,854)
NET POSITION AT JULY 1					5,647,997	10,532,870	16,180,867	151,706
NET POSITION AT JUNE 30					\$ 6,252,176	\$ 10,503,851	\$ 16,756,027	\$ 138,852

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

TOWN OF APPOMATTOX, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUND
June 30, 2019**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,774,692
Receivables, net	164,622
Due from other governments	10,612
Due from other funds	<u>904,737</u>
Total assets	<u><u>\$ 4,854,663</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 53,987
Accrued payroll and related liabilities	<u>12,696</u>
Total liabilities	<u>66,683</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>6,326</u>
FUND BALANCE (Note 15)	
Committed	360,758
Unassigned	<u>4,420,896</u>
Total fund balance	<u>4,781,654</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 4,854,663</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, 2019

Ending fund balance – governmental fund		\$ 4,781,654
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	\$ 2,559,264	
Less: accumulated depreciation	<u>(1,167,742)</u>	
		1,391,522
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the fund.		
		6,326
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	72,951	
Deferred inflows of resources related to pension	(32,351)	
Net pension asset	<u>118,973</u>	
		159,573
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	153,125	
Less: internal service fund capital assets	<u>(188,310)</u>	
		(35,185)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.		
General obligation bond	(19,880)	
Compensated absences	<u>(31,834)</u>	
		<u>(51,714)</u>
Total net position – governmental activities		<u><u>\$ 6,252,176</u></u>

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 –
GOVERNMENTAL FUND
Year Ended June 30, 2019**

	<u>General Fund</u>
REVENUES	
General property taxes (Note 12)	\$ 276,737
Other local taxes	1,871,916
Permits, privilege fees, and regulatory licenses	1,900
Revenue from use of money and property	22,244
Other	61,695
Intergovernmental	188,648
	<u>2,423,140</u>
Total revenues	
EXPENDITURES	
Current	
General government administration	593,501
Public safety	143,074
Public works	925,053
Community development	130,225
Debt service	
Principal retirement	2,138
Interest and other fiscal charges	752
	<u>1,794,743</u>
Total expenditures	
Excess of revenues over expenditures	<u>628,397</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>(71,266)</u>
Total other financing sources (uses)	<u>(71,266)</u>
Net change in fund balance	557,131
FUND BALANCE AT JULY 1	<u>4,224,523</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 4,781,654</u></u>

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, 2019**

Net change in fund balance – governmental fund \$ 557,131

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	\$	84,800	
Depreciation expense		(87,812)	
			(3,012)

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

Unavailable revenue			(11,872)
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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		34,155	
Pension expense		9,283	
			43,438

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			2,138
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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.

4,188

Transfers into internal service fund reported with governmental activities.

110,200

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

(98,032)

Change in net position of governmental activities		\$ 604,179	
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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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 278,500	\$ 278,500	\$ 276,737	\$ (1,763)
Other local taxes	1,558,500	1,558,500	1,871,916	313,416
Permits, privilege fees, and regulatory licenses	1,000	1,000	1,900	900
Revenue from use of money and property	18,000	18,000	22,244	4,244
Other	2,000	2,000	61,695	59,695
Intergovernmental	57,241	403,490	188,648	(214,842)
Total revenues	1,915,241	2,261,490	2,423,140	161,650
EXPENDITURES				
Current				
General government administration	591,425	600,037	593,501	6,536
Public safety	115,980	115,980	143,074	(27,094)
Public works	1,135,935	1,741,684	925,053	816,631
Community development	222,450	150,450	130,225	20,225
Capital outlay	10,000	10,000	-	10,000
Debt service				
Principal retirement	2,139	2,139	2,138	1
Interest and other fiscal charges	752	752	752	-
Total expenditures	2,078,681	2,621,042	1,794,743	826,299
Excess (deficiency) of revenues over expenditures	(163,440)	(359,552)	628,397	987,949
OTHER FINANCING SOURCES (USES)				
Transfers out	(46,800)	(46,800)	(71,266)	(24,466)
Total other financing sources (uses)	(46,800)	(46,800)	(71,266)	(24,466)
Net change in fund balance	\$ (210,240)	\$ (406,352)	\$ 557,131	\$ 963,483

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

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2019**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,871,312	\$ -	\$ 1,871,312	\$ 5,094
Receivable, net	46,824	98,620	145,444	-
Due from other governments	-	1,409,383	1,409,383	-
Inventories	97,685	14,803	112,488	-
Total current assets	2,015,821	1,522,806	3,538,627	5,094
NONCURRENT ASSETS				
Net pension asset	14,951	28,971	43,922	-
Capital assets, net	1,604,849	8,001,481	9,606,330	188,310
Total noncurrent assets	1,619,800	8,030,452	9,650,252	188,310
Total assets	3,635,621	9,553,258	13,188,879	193,404
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	9,167	17,764	26,931	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	26,547	103,501	130,048	1,861
Accrued payroll and related liabilities	2,465	4,261	6,726	-
Accrued interest payable	2,686	4,211	6,897	-
Customer security deposits	37,585	-	37,585	-
Due to other funds	-	866,319	866,319	38,418
Current portion of long-term debt	16,430	183,086	199,516	-
Current portion of compensated absences	1,564	2,540	4,104	-
Total current liabilities	87,277	1,163,918	1,251,195	40,279
NONCURRENT LIABILITIES				
Long-term debt	114,675	408,224	522,899	-
Compensated absences	4,266	8,156	12,422	-
Total noncurrent liabilities	118,941	416,380	535,321	-
Total liabilities	206,218	1,580,298	1,786,516	40,279
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	4,065	7,878	11,943	-
Unearned revenue	913,500	-	913,500	-
Total deferred inflows of resources	917,565	7,878	925,443	-
NET POSITION				
Net investment in capital assets	1,473,744	7,410,171	8,883,915	188,310
Unrestricted	1,047,261	572,675	1,619,936	(35,185)
Total net position	\$ 2,521,005	\$ 7,982,846	\$ 10,503,851	\$ 153,125

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, 2019**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
OPERATING REVENUES				
Charges for services	\$ 415,880	\$ 849,768	\$ 1,265,648	\$ -
Other	69,100	80,572	149,672	-
Total operating revenues	484,980	930,340	1,415,320	-
OPERATING EXPENSES				
Salaries	73,193	203,942	277,135	-
Fringe benefits	41,021	71,484	112,505	-
Maintenance	96,726	50,467	147,193	-
Utilities	4,138	50,535	54,673	-
Materials and supplies	12,251	146,572	158,823	47,170
Sample testing	915	19,118	20,033	-
Professional services	39,079	44,615	83,694	-
Other	5,984	3,080	9,064	-
Purchased water	144,933	-	144,933	-
Depreciation	94,057	315,717	409,774	50,862
Total operating expenses	512,297	905,530	1,417,827	98,032
Operating income (loss)	(27,317)	24,810	(2,507)	(98,032)
NONOPERATING REVENUES (EXPENSES)				
Interest income	4,182	3,843	8,025	-
Interest expense	(5,238)	(26,339)	(31,577)	-
Rent income	35,974	-	35,974	-
Net nonoperating revenues (expenses)	34,918	(22,496)	12,422	-
Income (loss) before contributions and transfers	7,601	2,314	9,915	(98,032)
Transfers in	-	-	-	110,200
Transfers out	(16,846)	(22,088)	(38,934)	-
Change in net position	(9,245)	(19,774)	(29,019)	12,168
NET POSITION AT JULY 1	2,530,250	8,002,620	10,532,870	140,957
NET POSITION AT JUNE 30	\$ 2,521,005	\$ 7,982,846	\$ 10,503,851	\$ 153,125

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, 2019**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 428,591	\$ 899,423	\$ 1,328,014	\$ -
Payments to suppliers	(312,239)	(298,913)	(611,152)	(48,048)
Payments to and for employees	(118,016)	(272,797)	(390,813)	-
Other receipts	62,277	80,572	142,849	-
Net cash provided by (used in) operating activities	60,613	408,285	468,898	(48,048)
NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from interfund borrowing	-	806,319	806,319	110,200
Transfers to other funds	(16,846)	(22,088)	(38,934)	-
Net cash provided by (used in) non-capital financing activities	(16,846)	784,231	767,385	110,200
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(95,900)	(866,250)	(962,150)	(97,579)
Net repayments on line of credit	-	(500,859)	(500,859)	-
Principal paid on debt	(15,823)	(182,134)	(197,957)	-
Interest paid on debt	(5,567)	(26,854)	(32,421)	-
Net cash used in capital and related financing activities	(117,290)	(1,576,097)	(1,693,387)	(97,579)
INVESTING ACTIVITIES				
Water tower rent	15,674	-	15,674	-
Interest received	4,182	3,843	8,025	-
Net cash provided by investing activities	19,856	3,843	23,699	-
Net decrease in cash and cash equivalents	(53,667)	(379,738)	(433,405)	(35,427)
CASH AND CASH EQUIVALENTS				
Beginning of year	1,924,979	379,738	2,304,717	40,521
Ending of year	\$ 1,871,312	\$ -	\$ 1,871,312	\$ 5,094

(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, 2019**

	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)	\$ (27,317)	\$ 24,810	\$ (2,507)	\$ (98,032)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	94,057	315,717	409,774	50,862
Pension expense net of employer contribution	(2,560)	956	(1,604)	-
Change in certain assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(2,862)	49,655	46,793	-
Inventory	(5,539)	(551)	(6,090)	-
Increase (decrease) in:				
Accounts payable and accrued liabilities	(3,206)	14,737	11,531	(878)
Compensated absences	(710)	2,961	2,251	-
Customer security deposits	8,750	-	8,750	-
Net cash provided by (used in) operating activities	<u>\$ 60,613</u>	<u>\$ 408,285</u>	<u>\$ 468,898</u>	<u>\$ (48,048)</u>
NON-CASH TRANSACTIONS				
Capital asset construction financed by accounts payable	<u>\$ -</u>	<u>\$ 55,350</u>	<u>\$ 55,350</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, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 30,161
	<u> </u>
LIABILITIES	
Amounts held for others	\$ 30,161
	<u> </u>

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

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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, 2019

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, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

E. Cash and Cash Equivalents

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

F. Inventories

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

G. 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	\$ 46,106
Personal property taxes	30,432
Meals taxes	20,008
Community Development Block Grant	
Program Loans Receivable	351,545
Water fund receivables	10,920
Sewer fund receivables	26,734
	<hr/>
	\$ 485,745

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

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

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

J. 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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows/Inflows of Resources

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

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

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

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

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 had no restricted net position at June 30, 2019. 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.

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.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

The classifications are as follows:

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

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

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.

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.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019.

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

	<u>Fair Value</u>
Deposits:	
Demand deposits	\$ 3,478,859
Certificates of deposit	2,310,891
Cash on hand	<u>200</u>
 Total deposits and investments	 <u><u>\$ 5,789,950</u></u>

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

Cash and cash equivalents – primary government	\$ 5,651,098
Cash and cash equivalents – component unit	<u>138,852</u>
 Total deposits and investments	 <u><u>\$ 5,789,950</u></u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3. Receivables

Receivables are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Receivables			
Taxes	\$ 197,625	\$ -	\$ 197,625
Accounts	415,088	183,098	598,186
	<u>612,713</u>	<u>183,098</u>	<u>795,811</u>
Less: allowance for uncollectibles	448,091	37,654	485,745
	<u><u>\$ 164,622</u></u>	<u><u>\$ 145,444</u></u>	<u><u>\$ 310,066</u></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 \$914,000. 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, 2019

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 2020. The sewer fund will repay the Town at that time.

Additionally, during fiscal year 2019, the general fund provided funding to the internal service fund for a vehicle purchase. This \$38,418 will be repaid in 2020 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 \$6,609 due from County of Appomattox for sales tax.

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 \$244,000, 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	\$ -	\$ (71,266)	\$ -	\$ (71,266)
Internal Service Fund	110,200	-	-	110,200
	<u>\$ 110,200</u>	<u>\$ (71,266)</u>	<u>\$ -</u>	<u>\$ 38,934</u>
Enterprise Funds:				
Water Fund	\$ -	\$ (16,846)	\$ -	\$ (16,846)
Sewer Fund	-	(22,088)	-	(22,088)
	<u>\$ -</u>	<u>\$ (38,934)</u>	<u>\$ -</u>	<u>\$ (38,934)</u>

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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	-	30,883
Total capital assets, not depreciated	107,173	30,883	-	138,056
Buildings and improvements	1,441,888	41,490	-	1,483,378
Machinery and equipment	827,824	110,006	-	937,830
Total capital assets, depreciated	2,269,712	151,496	-	2,421,208
Less accumulated depreciation for:				
Buildings and improvements	383,270	71,439	-	454,709
Machinery and equipment	645,798	67,235	-	713,033
Total accumulated, depreciation	1,029,068	138,674	-	1,167,742
Total capital assets, depreciated, net	1,240,644	12,822	-	1,253,466
Governmental activities capital assets, net	<u>\$ 1,347,817</u>	<u>\$ 43,705</u>	<u>\$ -</u>	<u>\$ 1,391,522</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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	1,647,938	337,386	164,834	1,820,490
Total capital assets, not depreciated	1,712,648	337,386	164,834	1,885,200
Utility plant in service	16,195,027	171,330	-	16,366,357
Machinery and equipment	184,973	5,002	-	189,975
Total capital assets, depreciated	16,380,000	176,332	-	16,556,332
Less accumulated depreciation for:				
Utility plant in service	8,306,902	398,091	-	8,704,993
Machinery and equipment	118,526	11,683	-	130,209
Total accumulated depreciation	8,425,428	409,774	-	8,835,202
Total capital assets, depreciated, net	7,954,572	(233,442)	-	7,721,130
Business-type activities capital assets, net	<u>\$ 9,667,220</u>	<u>\$ 103,944</u>	<u>\$ 164,834</u>	<u>\$ 9,606,330</u>

Depreciation expense, not including \$50,862 reported in the internal service funds, was charged to functions/programs as follows:

Governmental activities	
Public works	\$ 48,913
General government	16,808
Community development	22,091
Total depreciation expense – governmental activities	<u>\$ 87,812</u>
Business-type activities	
Water	\$ 94,057
Sewer	315,717
Total depreciation expense – business-type activities	<u>\$ 409,774</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 9. Line of Credit

The Town entered into a \$2,000,000 line of credit with a local financial institution to fund the costs of a construction project for the sewer system until such time the Town receives funds from permanent financing with the United States Department of Agriculture, Rural Development Agency. The line was fully paid off on June 6, 2019.

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	\$ 22,018	\$ -	\$ 2,138	\$ 19,880	\$ 2,220
Compensated absences	<u>36,022</u>	<u>-</u>	<u>4,188</u>	<u>31,834</u>	<u>7,934</u>
	<u>\$ 58,040</u>	<u>\$ -</u>	<u>\$ 6,326</u>	<u>\$ 51,714</u>	<u>\$ 10,154</u>
Business-type activities:					
General obligation bond	\$ 920,372	\$ -	\$ 197,957	\$ 722,415	\$ 199,516
Compensated absences	<u>14,275</u>	<u>2,251</u>	<u>-</u>	<u>16,526</u>	<u>4,104</u>
	<u>\$ 934,647</u>	<u>\$ 2,251</u>	<u>\$ 197,957</u>	<u>\$ 738,941</u>	<u>\$ 203,620</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>
2020	\$ 2,220	\$ 722	\$ 199,516	\$ 12,681
2021	2,483	630	200,959	11,068
2022	2,578	535	123,971	9,392
2023	2,677	436	47,044	7,652
2024	2,780	333	48,850	5,846
2025-2026	<u>7,142</u>	<u>340</u>	<u>102,075</u>	<u>5,995</u>
	<u>\$ 19,880</u>	<u>\$ 2,996</u>	<u>\$ 722,415</u>	<u>\$ 52,634</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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>19,880</u>	\$ <u>329,090</u>
Virginia Resources Authority	0.00%	06-03	06-22	\$ 3,203,000	\$ <u>-</u>	\$ <u>393,325</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, 2019

Note 11. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>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>15</u>
Total covered employees	<u><u>38</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, 2019 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 \$46,764 and \$43,920 for the years ended June 30, 2019 and 2018, 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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2017, 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, 2018.

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	7.00%, net of pension plan investment expense, including inflation*

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: General Employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- * The above allocation provides for a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2018, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 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, 2017	\$ 2,213,430	\$ 2,334,293	\$ (120,863)
Changes for the year:			
Service cost	49,858	-	49,858
Interest	152,432	-	152,432
Differences between expected and actual experience	8,011	-	8,011
Contributions – employer	-	43,920	(43,920)
Contributions – employee	-	36,665	(36,665)
Net investment income	-	173,363	(173,363)
Benefit payments, including refunds of employee contributions	(71,663)	(71,663)	-
Administrative expenses	-	(1,459)	1,459
Other changes	-	(156)	156
Net changes	138,638	180,670	(42,032)
Balances at June 30, 2018	\$ 2,352,068	\$ 2,514,963	\$ (162,895)

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability	\$ 181,680	\$ (162,895)	\$ (445,145)

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$1,840. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,118	\$ -
Change in assumptions	-	22,724
Contributions subsequent to the measurement date	46,764	-
Net difference between projected and actual earnings on pension plan investments	-	21,570
Total	<u>\$ 99,882</u>	<u>\$ 44,294</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

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

The \$46,764 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ 20,991
2021	9,989
2022	(20,214)
2023	(1,942)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, approximately \$6,171 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

Note 12. Property Taxes

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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 12. Property Taxes (Continued)

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30, 2019 were as follows:

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

Note 13. Service Contracts

Water Purchase Agreement

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

Waterline Maintenance Agreement

The Town entered into an agreement with the County of Appomattox, Virginia, whereby the Town will provide the County maintenance and administrative services related to the operation and upkeep of the Concord-Appomattox 460 Waterline. The County pays for labor at actual rates based on wages of those Town employees used for the work. The County also pays for equipment usage at rates as set forth by the Virginia Department of Transportation's highway maintenance program, as well as cost for all supplies and materials. In addition to maintenance and upkeep, the Town will read all meters and complete all billings each month, collect payments from County customers and remit those collections to the County. For this service, the County will pay the Town \$500 monthly, which is negotiable annually. The Town will also administer the County's Cross Connection Control program and will be paid \$100 monthly by the County for this work. That \$100 is also negotiable annually. The initial term of this agreement was January 1, 2012 through December 31, 2016, with automatic five year renewals thereafter, unless either party provides notice of intent to terminate at least six months prior to any expiration. The Town received \$42,059 from the County under this agreement for the year ended June 30, 2019.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Risk Management

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

Workers' Compensation Insurance is provided through the Virginia Municipal League. During the year ended June 30, 2019, total premiums paid were \$20,744. 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, 2019 were \$8,957.

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

Note 15. Fund Balances

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

	<u>General</u>
Committed for:	
Public safety	\$ 59,944
Public works	300,000
Other capital projects	<u>814</u>
Total committed	360,758
Unassigned	<u>4,420,896</u>
Total fund balances	<u><u>\$ 4,781,654</u></u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 16. Performance Incentives/Tax Abatements

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

The agreement is for a period of four years with the third year abatement totaling \$30,827 during fiscal year 2019. The maximum potential abatement remaining under this agreement is approximately \$36,000, which will be paid in the next fiscal year to the extent earned by the company.

Note 17. Commitments and Contingencies

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

The Town has entered into various construction contracts and projects at year end. Future amounts due under these agreements are approximately \$1,000,000 at year end.

Note 18. Subsequent Events

In August 2019, Town council authorized a \$2,500,000 operating line of credit to allow the Town to pay for capital costs associated with the I&I project while awaiting funds from a Federal Rural Development loan.

Note 19. New Accounting Standards

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

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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 19. New Accounting Standards (Continued)

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

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

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. 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, 2020.

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, 2019**

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

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

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

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

TOWN OF APPOMATTOX, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2019**

Town Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 46,764	\$ 46,764	\$ -	\$ 757,569	6.17 %
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, only five years of data is available. Additional years will be included as they become available.

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty disability rates

Largest 10 – Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty disability rates from 60% to 45%

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OTHER SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS
June 30, 2019**

	Abbitt Memorial Park	Tree Board	ROSE Project	Total
ASSETS				
Cash and cash equivalents	\$ 1,379	\$ 408	\$ 28,374	\$ 30,161
LIABILITIES				
Amounts held for others	\$ 1,379	\$ 408	\$ 28,374	\$ 30,161

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Abbitt Memorial Park Fund				
Assets				
Cash and cash equivalents	\$ 1,379	\$ -	\$ -	\$ 1,379
Liabilities				
Amounts held for others	\$ 1,379	\$ -	\$ -	\$ 1,379
Tree Board				
Assets				
Cash and cash equivalents	\$ 408	\$ -	\$ -	\$ 408
Liabilities				
Amounts held for others	\$ 408	\$ -	\$ -	\$ 408
ROSE Project				
Assets				
Cash and cash equivalents	\$ 29,873	\$ 329	\$ 1,828	\$ 28,374
Liabilities				
Amounts held for others	\$ 29,873	\$ 329	\$ 1,828	\$ 28,374
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 31,660	\$ 329	\$ 1,828	\$ 30,161
Liabilities				
Amounts held for others	\$ 31,660	\$ 329	\$ 1,828	\$ 30,161

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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, 2019**

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	<u>\$ 138,852</u>
Total assets	<u>138,852</u>
NET POSITION	
Unrestricted	<u>138,852</u>
Total net position	<u><u>\$ 138,852</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, 2019**

	Enterprise Fund
	<hr/>
OPERATING EXPENSES	
Incentive grants	\$ 35,827
Community development	<hr/> 8,000
Total operating expenses	<hr/> 43,827
Operating loss	<hr/> (43,827)
NONOPERATING REVENUES	
Contributions from Town of Appomattox	30,827
Interest income	<hr/> 146
Total nonoperating revenues	<hr/> 30,973
Change in net position	(12,854)
NET POSITION JULY 1	<hr/> 151,706
NET POSITION JUNE 30	<hr/> <hr/> \$ 138,852

TOWN OF APPOMATTOX, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT –
 APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
 STATEMENT OF CASH FLOWS – PROPRIETARY FUND
 Year Ended June 30, 2019**

	Enterprise Fund
	<hr/>
OPERATING ACTIVITIES	
Incentive payments	\$ (35,827)
Community development	(8,000)
	<hr/>
Net cash used in operating activities	(43,827)
	<hr/>
NONCAPITAL FINANCING ACTIVITIES	
Contributions from Town of Appomattox	30,827
Interest income	146
	<hr/>
Net cash provided by noncapital financing activities	30,973
	<hr/>
Net decrease in cash and cash equivalents	(12,854)
	<hr/>
CASH AND CASH EQUIVALENTS	
Beginning at July 1	151,706
	<hr/>
Ending at June 30	\$ 138,852
	<hr/> <hr/>

SUPPORTING SCHEDULES

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2019**

	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	\$ 176,572	\$ 14,572
Personal property taxes	111,500	111,500	86,536	(24,964)
Penalties and interest	5,000	5,000	13,629	8,629
Total general property taxes	<u>278,500</u>	<u>278,500</u>	<u>276,737</u>	<u>(1,763)</u>
Other local taxes:				
Local sales and use taxes	70,000	70,000	83,179	13,179
Consumption taxes	7,000	7,000	8,141	1,141
Communications sales and use taxes	4,500	4,500	5,791	1,291
Business license taxes	150,000	150,000	199,000	49,000
Motor vehicle licenses	27,000	27,000	31,775	4,775
Bank stock taxes	130,000	130,000	183,342	53,342
Lodging taxes	60,000	60,000	79,839	19,839
Restaurant food tax	1,000,000	1,000,000	1,122,498	122,498
Mobile home tilting taxes	-	-	738	738
Cigarette tax	110,000	110,000	157,613	47,613
Total other local taxes	<u>1,558,500</u>	<u>1,558,500</u>	<u>1,871,916</u>	<u>313,416</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>1,000</u>	<u>1,000</u>	<u>1,900</u>	<u>900</u>
Revenue from use of money and property:				
Revenue from use of money	9,000	9,000	13,218	4,218
Revenue from use of property	<u>9,000</u>	<u>9,000</u>	<u>9,026</u>	<u>26</u>
Total revenue from use of money and property	<u>18,000</u>	<u>18,000</u>	<u>22,244</u>	<u>4,244</u>
Miscellaneous revenue:				
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>61,695</u>	<u>59,695</u>
Total revenue from local sources	<u>1,858,000</u>	<u>1,858,000</u>	<u>2,234,492</u>	<u>376,492</u>

(Continued)

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from the Commonwealth:				
Non-categorical aid:				
Auto rental taxes and fees	\$ 4,500	\$ 4,500	\$ 7,907	\$ 3,407
Personal property tax relief funds	-	-	23,106	23,106
Total non-categorical aid	4,500	4,500	31,013	26,513
Categorical aid:				
Fire programs	10,000	10,000	10,000	-
DCJS grants for law enforcement	42,741	42,741	44,324	1,583
Total categorical aid	52,741	52,741	54,324	1,583
Total revenue from the Commonwealth	57,241	57,241	85,337	28,096
Revenue from the Federal Government:				
Categorical aid:				
Community development block grants	-	346,249	103,311	(242,938)
Total revenue from the Federal Government	-	346,249	103,311	(242,938)
Total governmental fund	\$ 1,915,241	\$ 2,261,490	\$ 2,423,140	\$ 161,650

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration:				
Legislative:				
Town council	\$ 50,700	\$ 50,700	\$ 34,247	\$ 16,453
General and financial administration:				
Town manager and financial administration	455,725	464,337	453,555	10,782
Legal services	30,000	30,000	52,044	(22,044)
Other professional services	55,000	55,000	53,655	1,345
Total general and financial administration	540,725	549,337	559,254	(9,917)
Total general government administration	591,425	600,037	593,501	6,536
Public safety:				
Law enforcement and traffic control:				
Police department	88,980	88,980	113,025	(24,045)
Fire and rescue services:				
Fire department	27,000	27,000	30,049	(3,049)
Total public safety	115,980	115,980	143,074	(27,094)
Public works:				
Maintenance of highways, streets, bridges, and sidewalks:				
Street maintenance	663,435	663,435	537,081	126,354
Sanitation and waste removal:				
Refuse collection and disposal	101,850	101,850	112,534	(10,684)
Maintenance of general buildings, grounds, and equipment:				
Town shop	30,750	30,750	25,942	4,808
Town office	43,100	43,100	37,878	5,222
Other properties	296,800	902,549	211,618	690,931
Total maintenance of general buildings, grounds, and equipment	370,650	976,399	275,438	700,961
Total public works	1,135,935	1,741,684	925,053	816,631

(Continued)

SCHEDULE 2**TOWN OF APPOMATTOX, VIRGINIA**

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Planning and community development:				
Tourism	\$ 137,950	\$ 137,950	\$ 86,777	\$ 51,173
Zoning	1,000	1,000	2,621	(1,621)
Civic organization contributions	83,500	11,500	10,000	1,500
Contribution to EDA	-	-	30,827	(30,827)
Total community development	<u>222,450</u>	<u>150,450</u>	<u>130,225</u>	<u>20,225</u>
Capital outlay:				
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Debt service:				
Principal retirement	2,139	2,139	2,138	1
Interest and fiscal charges	<u>752</u>	<u>752</u>	<u>752</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>\$ 2,078,681</u>	<u>\$ 2,621,042</u>	<u>\$ 1,794,743</u>	<u>\$ 826,299</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
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
2010	1,123,728	59,195	-	247,797	835,476	137,672	154,151	26,146	2,584,165

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
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
2010	352,030	85,018	423,375	242,760	-	3,907	1,394,278	2,501,368

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
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
2010	303,440	835,476	1,650	108,091	19,406	85,341	35,042	-	1,388,446

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
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
2010	344,385	85,018	434,941	239,042	24,853	-	1,128,239

⁽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
2019	\$ 269,972	\$ 273,495	101.30 %	\$ 5,835	\$ 279,330	103.47 %	\$ 89,782	33.26 %
2018	274,000	267,660	97.69	10,266	277,926	101.43	96,775	35.32
2017	282,771	267,385	94.56	4,596	271,981	96.18	87,132	30.81
2016	271,994	243,379	89.48	46,447	289,826	106.56	75,834	27.88
2015	283,264	241,668	85.32	52,911	294,579	103.99	101,461	35.82
2014	294,551	278,835	94.66	16,129	294,964	100.14	124,330	42.21
2013	305,787	287,010	93.86	33,504	320,514	104.82	78,746	25.75
2012	343,989	321,908	93.58	22,936	344,844	100.25	86,530	25.15
2011	332,882	291,946	87.70	27,240	319,186	95.89	90,266	27.12
2010	331,652	314,266	94.76	9,546	323,812	97.64	70,143	21.15

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	
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
2010	134,065,100	15,588,160	11,925,200	741,953	3,753,824	35,957	166,110,194

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
2019	\$	0.12	\$	0.55	\$	0.55	\$	0.12	\$	0.55
2018		0.12		0.55		0.55		0.12		0.55
2017		0.12		0.55		0.55		0.12		0.55
2016		0.12		0.55		0.55		0.12		0.55
2015		0.13		0.55		0.55		0.13		0.55
2014		0.13		0.55		0.55		0.13		0.55
2013		0.13		0.55		0.55		0.13		0.55
2012		0.13		0.55		0.55		0.13		0.55
2011		0.13		0.55		0.55		0.13		0.55
2010		0.13		0.55		0.55		0.13		0.55

TABLE 8

TOWN OF APPOMATTOX, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2019
UNAUDITED

Assessed value of real estate, January 1, 2018		<u>\$ 146,653,200</u>
Legal debt limit, (10% of assessed value)		14,665,320
Total bonded debt	<u>\$ 742,295</u>	<u>742,295</u>
Legal debt margin		<u><u>\$ 13,923,025</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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 26, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2019-001.**

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
November 26, 2019

TOWN OF APPOMATTOX, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2019

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, 2019

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2010-001: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

There have been some changes in fiscal year 2019. The Town hired a part-time customer service employee during fiscal year 2019. The additional position allowed for additional measures to occur within this area. Also, the Treasurer no longer processes payroll and a second drawer was implemented in fiscal year 2019 so that each individual is responsible for their own cash collections. Also, the accounts payable clerk no longer sets up new vendors; that is performed by the office manager and the accounts payable clerk is responsible for recording accounts payable.

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:

The Town hired an outside consultant to assist with the year-end entries. She helped the Town complete the entries that the auditors had assisted with previously.

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2019-001: Budget Appropriations

Condition:

Expenditures exceeded budgeted appropriations in the public safety function for the year ended June 30, 2019.

Recommendation:

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

Management's Response:

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