



FINANCIAL REPORT

JUNE 30, 2017

TOWN OF APPOMATTOX, VIRGINIA

FINANCIAL REPORT

June 30, 2017

TOWN OF APPOMATTOX, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF APPOMATTOX, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2017

TOWN COUNCIL

Paul D. Harvey, Mayor
Claudia G. Puckette
Steven T. Conner
Timothy W. Garrett
M. Erin Finch
C. Lewis McDearmon, Jr.
Mary Lou Spiggle

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

Clarence Monday Interim 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

The combining statements, the financial statements of the discretely presented component unit, and 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.

Other Matters (Continued)*Other Information (Continued)*

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 August 16, 2018 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 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 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.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
August 16, 2018

BASIC FINANCIAL STATEMENTS

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,709,113	\$ 2,337,123	\$ 6,046,236	\$ 151,554
Receivables, net (Note 3)	133,743	135,174	268,917	-
Due from other governments (Note 6)	7,214	-	7,214	-
Internal balances (Note 5)	60,000	(60,000)	-	-
Inventories	-	107,345	107,345	-
Rent receivable (Note 4)	-	145,000	145,000	-
Net pension asset (Note 10)	24,769	19,067	43,836	-
Capital assets (Note 8)				
Nondepreciable	107,173	297,105	404,278	-
Depreciable, net	1,170,650	8,298,384	9,469,034	-
Total assets	5,212,662	11,279,198	16,491,860	151,554
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows (Note 10)	67,770	52,167	119,937	-
LIABILITIES				
Accounts payable and accrued liabilities	89,221	78,636	167,857	-
Accrued payroll and related liabilities	15,832	12,766	28,598	-
Accrued interest payable	-	8,556	8,556	-
Customer security deposits	-	31,885	31,885	-
Long-term liabilities (Note 9)				
Due within one year	6,411	199,882	206,293	-
Due in more than one year	32,882	932,186	965,068	-
Total liabilities	144,346	1,263,911	1,408,257	-
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue (Note 4)	-	954,100	954,100	-
Total deferred inflows of resources	-	954,100	954,100	-
NET POSITION				
Net investment in capital assets	1,253,674	7,477,308	8,730,982	-
Unrestricted	3,882,412	1,636,046	5,518,458	151,554
Total net position	\$ 5,136,086	\$ 9,113,354	\$ 14,249,440	\$ 151,554

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

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Primary Government								
Governmental activities								
General government administration	\$ 433,305	\$ -	\$ -	\$ -	\$ (433,305)	\$ -	\$ (433,305)	\$ -
Public safety	129,267	-	52,740	-	(76,527)	-	(76,527)	-
Public works	1,165,383	2,325	-	-	(1,163,058)	-	(1,163,058)	-
Community development	106,434	-	-	267,630	161,196	-	161,196	-
Interest on long-term debt	907	-	-	-	(907)	-	(907)	-
Total governmental activities	1,835,296	2,325	52,740	267,630	(1,512,601)	-	(1,512,601)	-
Business-type activities								
Water	539,932	383,399	46,435	-	-	(110,098)	(110,098)	-
Sewer	808,523	852,614	-	-	-	44,091	44,091	-
Total business-type activities	1,348,455	1,236,013	46,435	-	-	(66,007)	(66,007)	-
Total primary government	\$ 3,183,751	\$ 1,238,338	\$ 99,175	\$ 267,630	(1,512,601)	(66,007)	(1,578,608)	-
Component Unit								
Economic Development Authority	\$ 25,398	\$ -	\$ -	\$ -	-	-	-	(25,398)
General revenues:								
Property taxes					278,958	-	278,958	-
Meals taxes					1,117,922	-	1,117,922	-
Sales and use taxes					76,958	-	76,958	-
Bank stock taxes					136,271	-	136,271	-
Business license taxes					186,189	-	186,189	-
Cigarette taxes					187,500	-	187,500	-
Other local taxes					133,574	-	133,574	-
Intergovernmental revenue not restricted to specific programs					31,242	-	31,242	-
Town contribution					-	-	-	25,331
Investment earnings					19,440	7,580	27,020	152
Other					12,554	131,259	143,813	-
Transfers					100,619	(100,619)	-	-
Total general revenues					2,281,227	38,220	2,319,447	25,483
Change in net position					768,626	(27,787)	740,839	85
NET POSITION AT JULY 1					4,367,460	9,141,141	13,508,601	151,469
NET POSITION AT JUNE 30					\$ 5,136,086	\$ 9,113,354	\$ 14,249,440	\$ 151,554

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

TOWN OF APPOMATTOX, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUND
June 30, 2017**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,701,999
Receivables, net	133,743
Due from other governments	7,214
Due from other funds	98,418
	<u> </u>
Total assets	<u><u>\$ 3,941,374</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 86,361
Accrued payroll and related liabilities	15,832
	<u> </u>
Total liabilities	<u>102,193</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	23,098
	<u> </u>
FUND BALANCE (Note 14)	
Committed	360,758
Unassigned	3,455,325
	<u> </u>
Total fund balance	<u>3,816,083</u>
	<u> </u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 3,941,374</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, 2017**

Ending fund balance – governmental fund **\$ 3,816,083**

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	\$ 2,169,047	
Less: accumulated depreciation	<u>(891,224)</u>	
		1,277,823

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the fund.		23,098
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Financial statement elements related to pension are applicable to future periods and, therefore, are not reported in the fund.

Deferred outflows of resources related to pension	67,770	
Net pension asset	<u>24,769</u>	
		92,539

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	138,980	
Less: internal service fund capital assets	<u>(173,144)</u>	
		<u>(34,164)</u>

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

General obligation bond	(24,149)	
Compensated absences	<u>(15,144)</u>	
		<u>(39,293)</u>

Total net position – governmental activities		<u><u>\$ 5,136,086</u></u>
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TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year Ended June 30, 2017**

	<u>General Fund</u>
REVENUES	
General property taxes (Note 11)	\$ 265,408
Other local taxes	1,838,414
Permits, privilege fees, and regulatory licenses	2,325
Revenue from use of money and property	19,440
Other	12,554
Intergovernmental	351,613
	<hr/>
Total revenues	2,489,754
	<hr/>
EXPENDITURES	
Current	
General government administration	420,056
Public safety	129,267
Public works	1,210,430
Community development	102,519
Debt service	
Principal retirement	1,983
Interest and other fiscal charges	907
	<hr/>
Total expenditures	1,865,162
	<hr/>
Excess of revenues over expenditures	624,592
	<hr/>
OTHER FINANCING SOURCES (USES)	
Transfers in	31,528
Transfers out	(15,626)
	<hr/>
Total other financing sources	15,902
	<hr/>
Net change in fund balance	640,494
	<hr/>
FUND BALANCE AT JULY 1	3,175,589
	<hr/>
FUND BALANCE AT JUNE 30	\$ 3,816,083
	<hr/> <hr/>

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

TOWN OF APPOMATTOX, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

Net change in fund balance – governmental fund \$ 640,494

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	\$	170,302	
Depreciation expense		<u>(72,511)</u>	
			97,791

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

Unavailable revenue	13,550
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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	19,693		
Pension expense		<u>(6,752)</u>	
			12,941

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	1,983
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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.

	2,232
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Transfers into internal service fund reported with governmental activities.

	84,716
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The net loss (excluding transfers) of the internal service fund is reported with governmental activities.

	<u>(85,081)</u>
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Change in net position of governmental activities	<u><u>\$ 768,626</u></u>
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TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 291,300	\$ 291,300	\$ 265,408	\$ (25,892)
Other local taxes	1,565,100	1,565,100	1,838,414	273,314
Permits, privilege fees, and regulatory licenses	2,000	2,000	2,325	325
Revenue from use of money and property	18,000	18,000	19,440	1,440
Other	3,500	3,500	12,554	9,054
Intergovernmental	55,908	1,046,329	351,613	(694,716)
Total revenues	1,935,808	2,926,229	2,489,754	(436,475)
EXPENDITURES				
Current				
General government administration	454,465	454,465	420,056	34,409
Public safety	115,980	115,980	129,267	(13,287)
Public works	1,209,287	2,391,371	1,210,430	1,180,941
Community development	90,360	90,360	102,519	(12,159)
Capital outlay	10,000	10,000	-	10,000
Debt service				
Principal retirement	1,984	1,984	1,983	1
Interest and other fiscal charges	907	907	907	-
Total expenditures	1,882,983	3,065,067	1,865,162	1,199,905
Excess (deficiency) of revenues over expenditures	52,825	(138,838)	624,592	763,430
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	31,528	31,528
Transfers out	(52,825)	(52,825)	(15,626)	37,199
Total other financing sources (uses)	(52,825)	(52,825)	15,902	68,727
Net change in fund balance	\$ -	\$ (191,663)	\$ 640,494	\$ 832,157

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

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,762,856	\$ 574,267	\$ 2,337,123	\$ 7,114
Receivable, net	44,114	91,060	135,174	-
Inventories	94,961	12,384	107,345	-
Rent receivable	145,000	-	145,000	-
Total current assets	2,046,931	677,711	2,724,642	7,114
NONCURRENT ASSETS				
Net pension asset (Note 10)	6,387	12,680	19,067	-
Capital assets, net	1,657,115	6,938,374	8,595,489	173,144
Total noncurrent assets	1,663,502	6,951,054	8,614,556	173,144
Total assets	3,710,433	7,628,765	11,339,198	180,258
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows (Note 10)	17,475	34,692	52,167	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	40,612	38,024	78,636	2,860
Accrued payroll and related liabilities	7,339	5,427	12,766	-
Accrued interest payable	3,332	5,224	8,556	-
Customer security deposits	31,885	-	31,885	-
Due to other funds	-	60,000	60,000	38,418
Current portion of long-term debt	15,238	181,216	196,454	-
Current portion of compensated absences	1,446	1,982	3,428	-
Total current liabilities	99,852	291,873	391,725	41,278
NONCURRENT LIABILITIES				
Long-term debt	147,455	774,272	921,727	-
Compensated absences	4,095	6,364	10,459	-
Total noncurrent liabilities	151,550	780,636	932,186	-
Total liabilities	251,402	1,072,509	1,323,911	41,278
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	954,100	-	954,100	-
NET POSITION				
Net investment in capital assets	1,494,422	5,982,886	7,477,308	173,144
Unrestricted	1,027,984	608,062	1,636,046	(34,164)
Total net position	\$ 2,522,406	\$ 6,590,948	\$ 9,113,354	\$ 138,980

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, 2017**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
OPERATING REVENUES				
Charges for services	\$ 383,399	\$ 852,614	\$ 1,236,013	\$ -
Other	67,805	79,371	147,176	-
Total operating revenues	451,204	931,985	1,383,189	-
OPERATING EXPENSES				
Salaries	62,078	170,859	232,937	-
Fringe benefits	18,510	50,087	68,597	-
Maintenance	141,713	39,694	181,407	-
Utilities	2,897	18,431	21,328	-
Materials and supplies	14,353	125,799	140,152	41,110
Sample testing	754	20,531	21,285	-
Professional services	52,886	58,300	111,186	-
Other	7,757	1,705	9,462	-
Purchased water	142,433	-	142,433	-
Depreciation	89,605	312,229	401,834	43,971
Total operating expenses	532,986	797,635	1,330,621	85,081
Operating income (loss)	(81,782)	134,350	52,568	(85,081)
NONOPERATING REVENUES (EXPENSES)				
Interest income	4,058	3,522	7,580	-
Interest expense	(6,946)	(10,888)	(17,834)	-
Rent income	30,518	-	30,518	-
Net nonoperating revenues	27,630	(7,366)	20,264	-
Income (loss) before transfers	(54,152)	126,984	72,832	(85,081)
Transfers in	-	-	-	224,061
Transfers out	(56,269)	(44,350)	(100,619)	-
Total transfers, net	(56,269)	(44,350)	(100,619)	224,061
Change in net position	(110,421)	82,634	(27,787)	138,980
NET POSITION AT JULY 1	2,632,827	6,508,314	9,141,141	-
NET POSITION AT JUNE 30	\$ 2,522,406	\$ 6,590,948	\$ 9,113,354	\$ 138,980

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, 2017**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 393,528	\$ 866,233	\$ 1,259,761	\$ -
Payments to suppliers	(366,999)	(243,490)	(610,489)	(38,250)
Payments to employees	(83,637)	(225,216)	(308,853)	-
Other receipts	67,163	79,371	146,534	-
Net cash provided by (used in) operating activities	10,055	476,898	486,953	(38,250)
NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	45,364
Transfers to other funds	(32,337)	(28,930)	(61,267)	-
Interfund borrowing	-	-	-	38,418
Net cash provided by (used in) non-capital financing activities	(32,337)	(28,930)	(61,267)	83,782
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(238,651)	(238,651)	(38,418)
Principal paid on debt	(14,138)	(179,494)	(193,632)	-
Interest paid on debt	(7,251)	(11,366)	(18,617)	-
Net cash used in capital and related financing activities	(21,389)	(429,511)	(450,900)	(38,418)
INVESTING ACTIVITIES				
Water tower rent assignment received	290,000	-	290,000	-
Water tower rent	10,218	-	10,218	-
Interest received	4,058	3,522	7,580	-
Net cash provided by investing activities	304,276	3,522	307,798	-
Net increase in cash and cash equivalents	260,605	21,979	282,584	7,114
CASH AND CASH EQUIVALENTS				
Beginning of year	1,502,251	552,288	2,054,539	-
Ending of year	\$ 1,762,856	\$ 574,267	\$ 2,337,123	\$ 7,114

(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, 2017**

	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)	\$ (81,782)	\$ 134,350	\$ 52,568	\$ (85,081)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	89,605	312,229	401,834	43,971
Pension expense net of employer contribution	(2,749)	(4,847)	(7,596)	-
Change in certain assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	7,687	13,619	21,306	-
Inventory	(2,751)	(1,555)	(4,306)	-
Prepaid expenses	2,529	3,449	5,978	-
Increase (decrease) in:				
Accounts payable and accrued liabilities	(3,595)	19,792	16,197	2,860
Compensated absences	(689)	(139)	(828)	-
Customer security deposits	1,800	-	1,800	-
Net cash provided by (used in) operating activities	\$ 10,055	\$ 476,898	\$ 486,953	\$ (38,250)

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, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 32,355</u>
LIABILITIES	
Amounts held for others	<u>\$ 32,355</u>

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

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017

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, 2017

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, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

E. Cash and Cash Equivalents

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

F. Inventories

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

G. Prepays

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

H. Allowance for Uncollectible Accounts

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

Real estate taxes	\$ 28,463
Personal property taxes	32,714
Meals taxes	20,351
Water fund receivables	22,920
Sewer fund receivables	<u>5,031</u>
	<u>\$ 109,479</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

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

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

J. Capitalization of Interest

The Town follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. No interest was capitalized during 2017.

K. Compensated Absences

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

L. Pensions

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present financial position reports 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 projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.
- 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.

N. Net Position

Net position in government-wide and proprietary financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. The Town had no restricted net position at June 30, 2017. Net investment in capital assets represents capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

O. Fund Balances

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances (Continued)

The classifications are as follows:

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

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

P. Restricted Amounts

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

Q. Minimum Fund Balance Policy

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

R. Estimates

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017.

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

	<u>Fair Value</u>
Deposits:	
Demand deposits	\$ 3,921,147
Certificates of deposit	2,276,243
Cash on hand	<u>400</u>
 Total deposits and investments	 <u><u>\$ 6,197,790</u></u>

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

Cash and cash equivalents – primary government	\$ 6,046,236
Cash and cash equivalents – component unit	<u>151,554</u>
 Total deposits and investments	 <u><u>\$ 6,197,790</u></u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3. Receivables

Receivables are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Receivables			
Taxes	\$ 192,077	\$ -	\$ 192,077
Accounts	23,194	163,125	186,319
	<u>215,271</u>	<u>163,125</u>	<u>378,396</u>
Less: allowance for uncollectibles	81,528	27,951	109,479
	<u>\$ 133,743</u>	<u>\$ 135,174</u>	<u>\$ 268,917</u>

Note 4. Sale of Future Rent Revenues

During the year ended June 30, 2014, the Town entered into an agreement with AP Wireless I, LLC, under which the Town assigned its rights and title to future rent revenues under existing lease agreements with five cell phone service providers for fifty years (ending June 30, 2064). The Town will receive total payments of \$1,015,000, of which \$290,000 was received during the year ended June 30, 2017, with the remaining \$145,000 to be received during fiscal year 2018.

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

The Town assigned approximately \$1,421,000 of future rents based on the existing lease agreements with terms ending from 2020 to 2039. Four of the five leases have increases tied to the consumer price index, which for purposes of this calculation has been assumed to increase 3% annually. These rent revenues assigned constitute all of the Town's rental revenues related to water tower sites. The estimated present value of the rent revenues under the existing leases, assuming a 4% interest rate and even collections over 25 years, is approximately \$954,000. 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, 2017

Note 5. Interfund Receivables and Payables

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

Note 6. Due from Other Governments

Amounts due from other governmental units mainly consist of \$6,717 due from County of Appomattox for sales tax.

Note 7. Transfers

Interfund transfers consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Entity-Wide Only Transfer</u>	<u>Net Transfers</u>
Governmental Funds:				
General Fund	\$ 31,528	\$ (15,626)	\$ (139,344)	\$ (123,442)
Internal Service Fund	224,061	-	-	224,061
	<u>\$ 255,589</u>	<u>\$ (15,626)</u>	<u>\$ (139,344)</u>	<u>\$ 100,619</u>
Enterprise Funds:				
Water Fund	\$ -	\$ (56,269)	\$ -	\$ 56,269
Sewer Fund	-	(44,350)	-	44,350
	<u>\$ -</u>	<u>\$ (100,619)</u>	<u>\$ -</u>	<u>\$ (100,619)</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 exceed the net transfers of the enterprise funds by \$139,344 for capital assets transferred related to governmental activities.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	\$ 92,173	\$ 15,000	\$ -	\$ 107,173
Construction in progress	250,576	-	250,576	-
Total capital assets, not depreciated	342,749	15,000	250,576	107,173
Buildings and improvements	865,645	395,379	-	1,261,024
Machinery and equipment	539,631	575,781	314,562	800,850
Total capital assets, depreciated	1,405,276	971,160	314,562	2,061,874
Less accumulated depreciation for:				
Buildings and improvements	268,530	49,065	-	317,595
Machinery and equipment	333,262	415,585	175,218	573,629
Total accumulated, depreciation	601,792	464,650	175,218	891,224
Total capital assets, depreciated, net	803,484	506,510	139,344	1,170,650
Governmental activities capital assets, net	<u>\$ 1,146,233</u>	<u>\$ 521,510</u>	<u>\$ 389,920</u>	<u>\$ 1,277,823</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated				
Land	\$ 64,710	\$ -	\$ -	\$ 64,710
Construction in progress	-	232,395	-	232,395
Total capital assets, not depreciated	64,710	232,395	-	297,105
Utility plant in service	16,168,817	6,256	-	16,175,073
Machinery and equipment	357,290	-	212,302	144,988
Total capital assets, depreciated	16,526,107	6,256	212,302	16,320,061
Less accumulated depreciation for:				
Utility plant in service	7,519,620	392,406	-	7,912,026
Machinery and equipment	273,173	9,428	172,950	109,651
Total accumulated depreciation	7,792,793	401,834	172,950	8,021,677
Total capital assets, depreciated, net	8,733,314	(395,578)	39,352	8,298,384
Business-type activities capital assets, net	<u>\$ 8,798,024</u>	<u>\$ (163,183)</u>	<u>\$ 39,352</u>	<u>\$ 8,595,489</u>

There was \$139,345 and \$39,352 of net book value in capital assets transferred from governmental activities and business-type activities, respectively, into the internal service fund in 2017.

Depreciation expense, not including \$43,971 reported in the internal service funds, was charged to functions/programs as follows:

Governmental activities	
Public works	\$ 48,620
General government	19,976
Community development	3,915
Total depreciation expense – governmental activities	<u>\$ 72,511</u>
Business-type activities	
Water	\$ 89,605
Sewer	312,229
Total depreciation expense – business-type activities	<u>\$ 401,834</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bond	\$ 26,132	\$ -	\$ 1,983	\$ 24,149	\$ 2,059
Compensated absences	17,376	-	2,232	15,144	4,352
	<u>\$ 43,508</u>	<u>\$ -</u>	<u>\$ 4,215</u>	<u>\$ 39,293</u>	<u>\$ 6,411</u>
Business-type activities:					
General obligation bond	\$ 1,311,813	\$ -	\$ 193,632	\$ 1,118,181	\$ 196,454
Compensated absences	14,715	-	828	13,887	3,428
	<u>\$ 1,326,528</u>	<u>\$ -</u>	<u>\$ 194,460</u>	<u>\$ 1,132,068</u>	<u>\$ 199,882</u>

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

Fiscal Year	Governmental Activities		Business-Type Activities	
	General Obligation Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest
2018	\$ 2,059	\$ 895	\$ 196,454	\$ 15,732
2019	2,303	810	197,791	14,235
2020	2,391	722	199,346	12,681
2021	2,483	630	200,959	11,068
2022	2,578	535	123,971	9,392
2023-2026	12,335	1,109	199,660	19,493
	<u>\$ 24,149</u>	<u>\$ 4,701</u>	<u>\$ 1,118,181</u>	<u>\$ 82,601</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General obligation bonds:						
SunTrust	3.84%	12-10	12-25	\$ 650,000	<u>\$ 24,149</u>	<u>\$ 410,194</u>
Virginia Resources Authority	0.00%	06-03	06-22	\$ 3,203,000	<u>\$ -</u>	<u>\$ 707,987</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan

Plan Description

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

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

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

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

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

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service –**
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>9</u>
Inactive members:	
Vested inactive members	2
Non-vested inactive members	4
Inactive members active elsewhere in VRS	<u>5</u>
Total inactive members	11
Active members	<u>15</u>
Total covered employees	<u><u>35</u></u>

Contributions

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 6.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$34,852 and \$33,127 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability (Asset)

The political subdivision's net pension liability (asset) was measured as of June 30, 2016. The total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2015	\$ 1,909,581	\$ 2,048,522	\$ (138,941)
Changes for the year:			
Service cost	61,255	-	61,255
Interest	131,061	-	131,061
Differences between expected and actual experience	20,799	-	20,799
Contributions – employer	-	33,126	(33,126)
Contributions – employee	-	48,924	(48,924)
Net investment income	-	37,234	(37,234)
Benefit payments, including refunds of employee contributions	(74,555)	(74,555)	-
Administrative expenses	-	(1,259)	1,259
Other changes	-	(15)	15
Net changes	138,560	43,455	95,105
Balances at June 30, 2016	\$ 2,048,141	\$ 2,091,977	\$ (43,836)

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability (asset)	\$ 261,719	\$ (43,836)	\$ (293,567)

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$14,314. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,780	\$ -
Net difference between projected and actual earnings on pension plan investments	53,305	-
Employer contributions subsequent to the measurement date	34,852	-
Total	\$ 119,937	\$ -

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

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

The \$34,852 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, 2018. 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
2018	\$ 13,263
2019	12,452
2020	35,186
2021	24,184
2022	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017, approximately \$5,079 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

Note 11. 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, 2017

Note 11. 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, 2017 were as follows:

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

Note 12. 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 is 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 \$46,435 from the County under this agreement for the year ended June 30, 2017.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 13. 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, 2017, total premiums paid were \$21,573. 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, 2017 were \$27,233.

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 14. 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	<u>360,758</u>
Unassigned	<u>3,455,325</u>
Total fund balances	<u><u>\$ 3,816,083</u></u>

Note 15. 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.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 15. Performance Incentives/Tax Abatements (Continued)

The agreement is for a period of four years with the first year abatement being \$25,331 during fiscal year 2017. The maximum potential abatement remaining under this agreement is approximately \$92,000, which will be paid evenly over the next three fiscal years.

Note 16. Commitments and Contingencies

The Town has entered into various construction contracts and projects at year end. Future amounts due under these agreements are approximately \$1,300,000 at year end.

Note 17. New Accounting Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 17. New Accounting Standards (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 17. New Accounting Standards (Continued)

- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

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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, 2017**

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

TOWN OF APPOMATTOX, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017**

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
2017	\$ 34,852	\$ 34,852	\$ -	\$ 597,359	5.83 %
2016	33,127	33,127	-	553,179	5.99
2015	32,855	32,855	-	547,579	6.00

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

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS
June 30, 2017**

	Abbitt Memorial Park	Tree Board	ROSE Project	Total
ASSETS				
Cash and cash equivalents	\$ 1,379	\$ 408	\$ 30,568	\$ 32,355
LIABILITIES				
Amounts held for others	\$ 1,379	\$ 408	\$ 30,568	\$ 32,355

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</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	\$ 26,236	\$ 4,862	\$ 530	\$ 30,568
Liabilities				
Amounts held for others	\$ 26,236	\$ 4,862	\$ 530	\$ 30,568
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 28,023	\$ 4,862	\$ 530	\$ 32,355
Liabilities				
Amounts held for others	\$ 28,023	\$ 4,862	\$ 530	\$ 32,355

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

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT –
APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2017

	Enterprise Fund
	<hr/>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 151,554
	<hr/>
Total assets	151,554
	<hr/>
NET POSITION	
Unrestricted	151,554
	<hr/>
Total net position	\$ 151,554
	<hr/> <hr/>

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT –
APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2017

	<u>Enterprise Fund</u>
OPERATING EXPENSES	
Incentive grants	\$ 25,331
General and administrative	<u>67</u>
Total operating expenses	<u>25,398</u>
Operating loss	<u>(25,398)</u>
NONOPERATING REVENUES	
Contributions from Town of Appomattox	25,331
Interest income	<u>152</u>
Total nonoperating revenues	<u>25,483</u>
Change in net position	85
NET POSITION JULY 1	<u>151,469</u>
NET POSITION JUNE 30	<u><u>\$ 151,554</u></u>

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT –
APPOMATTOX ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2017**

	Enterprise Fund
OPERATING ACTIVITIES	
Incentive payments	\$ (25,331)
Payments to suppliers	(67)
	<u>(25,398)</u>
Net cash used in operating activities	<u>(25,398)</u>
NONCAPITAL FINANCING ACTIVITIES	
Contributions from Town of Appomattox	25,331
Interest income	152
	<u>25,483</u>
Net cash provided by noncapital financing activities	<u>25,483</u>
Net increase in cash and cash equivalents	85
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>151,469</u>
Ending at June 30	<u><u>\$ 151,554</u></u>

SUPPORTING SCHEDULES

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 160,000	\$ 160,000	\$ 160,930	\$ 930
Personal property taxes	121,300	121,300	94,569	(26,731)
Penalties and interest	10,000	10,000	9,909	(91)
Total general property taxes	<u>291,300</u>	<u>291,300</u>	<u>265,408</u>	<u>(25,892)</u>
Other local taxes:				
Local sales and use taxes	70,000	70,000	76,958	6,958
Consumption taxes	7,100	7,100	7,053	(47)
Communications sales and use taxes	6,000	6,000	5,977	(23)
Business license taxes	170,000	170,000	186,189	16,189
Motor vehicle licenses	25,000	25,000	30,961	5,961
Bank stock taxes	130,000	130,000	136,271	6,271
Lodging taxes	32,000	32,000	89,583	57,583
Restaurant food tax	925,000	925,000	1,117,922	192,922
Cigarette tax	200,000	200,000	187,500	(12,500)
Total other local taxes	<u>1,565,100</u>	<u>1,565,100</u>	<u>1,838,414</u>	<u>273,314</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>2,000</u>	<u>2,000</u>	<u>2,325</u>	<u>325</u>
Revenue from use of money and property:				
Revenue from use of money	9,000	9,000	12,652	3,652
Revenue from use of property	<u>9,000</u>	<u>9,000</u>	<u>6,788</u>	<u>(2,212)</u>
Total revenue from use of money and property	<u>18,000</u>	<u>18,000</u>	<u>19,440</u>	<u>1,440</u>
Miscellaneous revenue:				
Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>12,554</u>	<u>9,054</u>
Total revenue from local sources	<u>1,879,900</u>	<u>1,879,900</u>	<u>2,138,141</u>	<u>258,241</u>

(Continued)

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2017**

	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	\$ 8,137	\$ 3,637
Personal property tax relief funds	-	-	23,106	23,106
Total non-categorical aid	4,500	4,500	31,243	26,743
Categorical aid:				
Fire programs	10,000	10,000	10,000	-
DCJS grants for law enforcement	41,408	41,408	42,740	1,332
Total categorical aid	51,408	51,408	52,740	1,332
Total revenue from the Commonwealth	55,908	55,908	83,983	28,075
Revenue from the Federal Government:				
Categorical aid:				
Community development block grants	-	990,421	267,630	(722,791)
Total revenue from the Federal Government	-	990,421	267,630	(722,791)
Total governmental fund	\$ 1,935,808	\$ 2,926,229	\$ 2,489,754	\$ (436,475)

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration:				
Legislative:				
Town council	\$ 51,110	\$ 51,110	\$ 56,060	\$ (4,950)
General and financial administration:				
Town manager and financial administration	345,355	345,355	283,221	62,134
Legal services	15,000	15,000	35,700	(20,700)
Other professional services	43,000	43,000	45,075	(2,075)
Total general and financial administration	403,355	403,355	363,996	39,359
Total general government administration	454,465	454,465	420,056	34,409
Public safety:				
Law enforcement and traffic control:				
Police department	88,980	88,980	90,932	(1,952)
Fire and rescue services:				
Fire department	27,000	27,000	38,335	(11,335)
Total public safety	115,980	115,980	129,267	(13,287)
Public works:				
Maintenance of highways, streets, bridges, and sidewalks:				
Street maintenance	637,535	637,535	598,273	39,262
Sanitation and waste removal:				
Refuse collection and disposal	97,000	97,000	87,856	9,144
Maintenance of general buildings, grounds, and equipment:				
Town shop	34,750	34,750	21,011	13,739
Town office	26,000	26,000	20,873	5,127
Other properties	414,002	1,596,086	482,417	1,113,669
Total maintenance of general buildings, grounds, and equipment	474,752	1,656,836	524,301	1,132,535
Total public works	1,209,287	2,391,371	1,210,430	1,180,941

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Planning and community development:				
Tourism	\$ 78,110	\$ 78,110	\$ 59,324	\$ 18,786
Zoning	750	750	505	245
Civic organization contributions	11,500	11,500	17,359	(5,859)
Contribution to EDA	-	-	25,331	(25,331)
Total community development	<u>90,360</u>	<u>90,360</u>	<u>102,519</u>	<u>(12,159)</u>
Capital outlay:				
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Debt service:				
Principal retirement	1,984	1,984	1,983	1
Interest and fiscal charges	<u>907</u>	<u>907</u>	<u>907</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>\$ 1,882,983</u>	<u>\$ 3,065,067</u>	<u>\$ 1,865,162</u>	<u>\$ 1,199,905</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
2017	\$ 1,238,338	\$ 99,175	\$ 267,630	\$ 278,958	\$ 1,838,414	\$ 27,172	\$ 143,812	\$ 31,242	\$ 3,924,741
2016	1,204,922	97,043	-	279,971	1,630,607	24,996	199,848	32,253	3,469,640
2015	1,186,135	130,403	96,340	300,218	1,564,129	24,771	154,574	26,618	3,483,188
2014	1,122,979	101,768	-	277,135	1,245,677	24,941	198,712	27,167	2,998,379
2013	972,681	49,408	-	299,191	932,892	24,230	298,651	28,158	2,605,211
2012	1,002,443	49,408	47,114	311,373	892,403	29,666	193,272	26,100	2,551,779
2011	1,037,886	52,633	419,211	306,429	855,880	28,830	232,491	26,255	2,959,615
2010	1,123,728	59,195	-	247,797	835,476	137,672	154,151	26,146	2,584,165
2009	1,120,106	147,154	-	317,467	695,525	177,509	20,208	26,673	2,504,642
2008	979,438	157,592	-	291,389	706,133	209,665	76,901	26,211	2,447,329

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
2017	\$ 433,305	\$ 129,267	\$ 1,165,383	\$ 131,832	\$ -	\$ 907	\$ 1,348,455	\$ 3,209,149
2016	387,692	72,776	706,056	72,738	-	979	1,439,273	2,679,514
2015	383,457	85,359	684,119	387,049	-	1,051	1,452,390	2,993,425
2014	396,479	107,189	621,139	72,904	-	1,120	1,381,016	2,579,847
2013	333,298	55,902	597,701	94,030	-	2,997	1,534,198	2,618,126
2012	317,829	199,149	487,529	97,023	-	3,973	1,481,671	2,587,174
2011	390,828	77,912	484,136	162,748	-	3,324	1,386,590	2,505,538
2010	352,030	85,018	423,375	242,760	-	3,907	1,394,278	2,501,368
2009	348,200	74,104	404,724	195,154	5,024	2,168	1,280,990	2,310,364
2008	510,753	67,250	297,280	217,509	3,191	-	1,130,260	2,226,243

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
2017	\$ 265,408	\$ 1,838,414	\$ 2,325	\$ 19,440	\$ -	\$ 351,613	\$ 12,554	\$ -	\$ 2,489,754
2016	285,858	1,630,607	725	18,275	-	81,661	56,739	-	2,073,865
2015	290,028	1,564,129	1,575	17,037	-	105,026	21,986	-	1,999,781
2014	290,328	1,245,677	2,340	15,987	-	86,575	19,343	-	1,660,250
2013	303,632	932,892	725	13,698	4,303	69,566	11,767	-	1,336,583
2012	325,681	892,403	1,565	16,948	12,622	75,508	7,879	-	1,332,606
2011	301,404	855,880	5,675	15,538	16,194	78,888	24,707	-	1,298,286
2010	303,440	835,476	1,650	108,091	19,406	85,341	35,042	-	1,388,446
2009	311,512	695,525	379	102,385	-	97,254	12,904	131	1,220,090
2008	278,222	706,133	5,893	120,617	-	107,230	62,496	-	1,280,591

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
2017	\$ 420,056	\$ 129,267	\$ 1,210,430	\$ 102,519	\$ 2,890	\$ -	\$ 1,865,162
2016	364,635	72,776	987,729	66,586	2,890	-	1,494,616
2015	380,617	85,359	704,390	383,759	2,890	(252)	1,556,763
2014	395,081	107,189	726,401	70,863	2,890	1,845	1,304,269
2013	335,104	55,902	809,842	91,988	83,406	13,784	1,390,026
2012	343,408	199,149	579,310	101,415	26,812	4,965	1,255,059
2011	404,446	77,912	498,145	208,594	23,144	291	1,212,532
2010	344,385	85,018	434,941	239,042	24,853	-	1,128,239
2009	354,436	74,104	368,527	191,402	12,031	5,024	1,005,524
2008	379,238	67,250	304,897	214,554	-	3,191	969,130

⁽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
2017	\$ 282,771	\$ 267,385	94.56 %	\$ 4,596	\$ 271,981	96.18 %	\$ 87,132	30.81 %
2016	271,994	243,379	89.48	46,447	289,826	106.56	75,834	27.88
2015	283,264	241,668	85.32	52,911	294,579	103.99	101,461	35.82
2014	294,551	278,835	94.66	16,129	294,964	100.14	124,330	42.21
2013	305,787	287,010	93.86	33,504	320,514	104.82	78,746	25.75
2012	343,989	321,908	93.58	22,936	344,844	100.25	86,530	25.15
2011	332,882	291,946	87.70	27,240	319,186	95.89	90,266	27.12
2010	331,652	314,266	94.76	9,546	323,812	97.64	70,143	21.15
2009	314,854	296,459	94.16	13,226	309,685	98.36	37,879	12.03
2008	297,382	278,232	93.56	19,868	298,100	100.24	27,655	9.30

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	
2017	\$ 146,028,900	\$ 19,694,582	\$ 390,960	\$ 620,110	\$ 5,488,043	\$ 35,957	\$ 172,258,552
2016	141,805,800	19,168,920	447,546	620,210	5,100,751	35,957	167,179,184
2015	140,101,700	19,007,260	316,436	656,436	4,790,974	35,957	164,908,763
2014	146,645,100	19,571,634	171,532	706,780	4,915,597	35,957	172,046,600
2013	146,133,000	20,765,428	142,600	586,560	4,795,866	35,957	172,459,411
2012	142,742,800	19,689,002	8,802,900	580,100	3,737,510	35,957	175,588,269
2011	139,049,400	16,484,732	9,313,336	635,448	3,753,824	35,957	169,272,697
2010	134,065,100	15,588,160	11,925,200	741,953	3,753,824	35,957	166,110,194
2009	132,100,800	15,301,104	13,600,804	708,610	3,860,292	-	165,571,610
2008	103,645,900	13,914,959	10,859,678	791,450	2,897,135	23,167	132,132,289

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
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
2009		0.13		0.55		0.55		0.13		0.55
2008		0.15		0.55		0.55		0.15		0.55

TABLE 8

TOWN OF APPOMATTOX, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2017
UNAUDITED

Assessed value of real estate, January 1, 2016		<u>\$ 141,805,800</u>
Legal debt limit, (10% of assessed value)		14,180,580
Total bonded debt	<u>1,142,330</u>	<u>1,142,330</u>
Legal debt margin		<u><u>\$ 13,038,250</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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 16, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. **We did identify certain deficiencies in internal control identified as Items 2010-001, 2016-002, and 2017-001 described in the accompanying schedule of findings and responses that we consider to be material weaknesses.**

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 responses as Item 2017-002.**

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
August 16, 2018

TOWN OF APPOMATTOX, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

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

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2010-001: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

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

2016-002: Auditor Adjustments and Financial Statement Close (Material Weakness)

Condition:

As part of our audit, we posted several journal entries deemed significant to the financial statements to enable them to be presented in accordance with generally accepted accounting principles.

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 Treasurer position was filled in June 2017. The fiscal year 2017 financial statements were not fully reconciled by the end of June 2017. The Town is actively working to reduce the number of auditor adjustments and close the financial statements before beginning field work for the fiscal year 2018 audit.

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

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

Condition:

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

Recommendation:

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

Management's Response:

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

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2017-002: Budget Appropriations

Condition:

Expenditures exceeded budgeted appropriations in town council, police, fire, and community development departments.

Recommendation:

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

Management's Response:

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