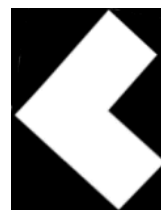


Town of Boydton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2017



*Creedle, Jones
& Alga, P.C.*
Certified Public Accountants

Town of Boydton, Virginia

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Year Ended June 30, 2017

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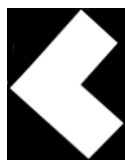
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FINANCIAL SECTION



Creedle
Jones
& Alga

A Professional Corporation

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Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Boydton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Boydton, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Boydton, Virginia'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

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, and each major fund of the Town of Boydton, Virginia, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-7 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplementary information on pages 46–51 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Boydton, Virginia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2018, on our consideration of the Town of Boydton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Boydton, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Boydton, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
August 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Boydton, Virginia presents the following discussion and analysis as an overview of the Town of Boydton, Virginia's financial activities for the fiscal year ending June 30, 2017. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources by \$7,537,600. Of this amount, \$802,618 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, revenues and net operating transfers of the Town's governmental activities were \$465,045 and expenses amounted to \$272,666, as such, the Town's total net position increased \$192,379.
- For business-type activities, revenues and net operating transfers were \$3,966,693 and expenses were \$502,050. The net position increased by \$3,464,643.

Highlights for Fund Financial Statements

- As of June 30, 2017, the Town's Governmental Funds reported combined fund balances of \$1,031,254, an increase of \$227,295 in comparison with the prior year. Approximately 99.67 percent of the combined fund balances, \$1,027,901, is available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$1,027,091, an increase of \$227,565 from June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has three types of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, all of which are considered to be major funds.

Proprietary Funds – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Fiduciary Funds – The Town is the trustee, or fiduciary, for the Town's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and other assets	\$ 1,137,923	\$ 928,402	\$ 1,938,629	\$ 685,467	\$ 3,076,552	\$ 1,613,869
Capital assets (net)	<u>1,058,399</u>	<u>1,105,957</u>	<u>5,536,678</u>	<u>2,660,587</u>	<u>6,595,077</u>	<u>3,766,544</u>
Total Assets	2,196,322	2,034,359	7,475,307	3,346,054	9,671,629	5,380,413
Deferred Outflows of Resources	<u>10,936</u>	<u>2,003</u>	<u>25,519</u>	<u>4,675</u>	<u>36,455</u>	<u>6,678</u>
Total Assets and Deferred Outflows of Resources	\$ 2,207,258	\$ 2,036,362	\$ 7,500,826	\$ 3,350,729	\$ 9,708,084	\$ 5,387,091
Liabilities						
Other liabilities	\$ 16,812	\$ 22,984	\$ 1,425,836	\$ 450,222	\$ 1,442,648	\$ 473,206
Long-term liabilities	<u>-</u>	<u>-</u>	<u>725,882</u>	<u>980,317</u>	<u>725,882</u>	<u>980,317</u>
Total Liabilities	16,812	22,984	2,151,718	1,430,539	2,168,530	1,453,523
Deferred Inflows of Resources	586	15,897	1,368	37,093	1,954	52,990
Net Position						
Net investment in capital assets	1,058,399	1,105,957	4,810,796	1,680,270	5,869,195	2,786,227
Restricted	<u>-</u>	<u>-</u>	<u>865,787</u>	<u>-</u>	<u>865,787</u>	<u>-</u>
Unrestricted (Deficit)	<u>1,131,461</u>	<u>891,524</u>	<u>(328,843)</u>	<u>202,827</u>	<u>802,618</u>	<u>1,094,351</u>
Total Net Position	2,189,860	1,997,481	5,347,740	1,883,097	7,537,600	3,880,578
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,207,258	\$ 2,036,362	\$ 7,500,826	\$ 3,350,729	\$ 9,708,084	\$ 5,387,091

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for services	\$ 28,556	\$ 26,427	\$ 503,929	\$ 510,597	\$ 532,485	\$ 537,024
Operating grants and contributions	24,262	23,986	3,443,887	-	3,468,149	23,986
General Revenues						
General property taxes, real and personal	121,339	105,855	-	-	121,339	105,855
Other taxes	210,581	164,957	-	-	210,581	164,957
Grants and contributions not restricted to specific programs	23,277	23,635	-	-	23,277	23,635
Investment earnings	556	471	1,326	867	1,882	1,338
Miscellaneous	58,370	57,012	15,655	9,500	74,025	66,512
Transfers	<u>(1,896)</u>	<u>(1,629)</u>	<u>1,896</u>	<u>1,629</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<u>465,045</u>	<u>400,714</u>	<u>3,966,693</u>	<u>522,593</u>	<u>4,431,738</u>	<u>923,307</u>
Expenses						
General government administration	122,451	112,751	-	-	122,451	112,751
Public safety	52,037	47,219	-	-	52,037	47,219
Public works	95,225	128,071	-	-	95,225	128,071
Parks, recreation, and cultural	2,683	24,886	-	-	2,683	24,886
Community development	270	36	-	-	270	36
Water and sewer	<u>-</u>	<u>-</u>	<u>502,050</u>	<u>464,189</u>	<u>502,050</u>	<u>464,189</u>
Total Expenses	<u>272,666</u>	<u>312,963</u>	<u>502,050</u>	<u>464,189</u>	<u>774,716</u>	<u>777,152</u>
Increase in Net Position	192,379	87,751	3,464,643	58,404	3,657,022	146,155
Beginning Net Position	<u>1,997,481</u>	<u>1,909,730</u>	<u>1,883,097</u>	<u>1,824,693</u>	<u>3,880,578</u>	<u>3,734,423</u>
Ending Net Position	<u>\$ 2,189,860</u>	<u>\$ 1,997,481</u>	<u>\$ 5,347,740</u>	<u>\$ 1,883,097</u>	<u>\$ 7,537,600</u>	<u>\$ 3,880,578</u>

Governmental activities increased the Town's net position by \$192,379 for fiscal year 2017. Revenues and net transfers from governmental activities totaled \$465,045. Other taxes comprise the largest source of these revenues, totaling \$210,581 or 45.28 percent of all governmental activities revenue. Property taxes are the second largest source of revenues, totaling \$121,339.

The total cost of all governmental activities for this fiscal year was \$272,666. General government administration was the Town's largest program with expenses totaling \$122,451. Public works, which totals \$95,225, represents the second largest expense.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>		<u>2016</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 122,451	\$ (122,451)	\$ 112,751	\$ (112,751)
Public safety	52,037	(27,968)	47,219	(24,077)
Public works	95,225	(66,476)	128,071	(100,800)
Parks, recreation, and cultural	2,683	(2,683)	24,886	(24,886)
Community development	270	(270)	36	(36)
Total	<u>\$ 272,666</u>	<u>\$ (219,848)</u>	<u>\$ 312,963</u>	<u>\$ (262,550)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,027,901, which is available for spending at the government's discretion.

The Capital Projects Fund has a total fund balance of \$3,353, all of which is restricted for ongoing and future capital projects.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 104,856	\$ 104,856	\$ 121,206	\$ 111,306	\$ 111,306	\$ 109,168
Other	295,050	295,050	298,063	203,575	203,575	248,867
Intergovernmental	<u>50,733</u>	<u>50,733</u>	<u>47,539</u>	<u>47,918</u>	<u>47,918</u>	<u>47,621</u>
Total	450,639	450,639	466,808	362,799	362,799	405,656
Expenditures	<u>280,513</u>	<u>280,513</u>	<u>237,347</u>	<u>241,629</u>	<u>241,629</u>	<u>277,339</u>
Excess (Deficiency) of Revenues over Expenditures	170,126	170,126	229,461	121,170	121,170	128,317
Other Financing Sources (Uses)						
Contingency/surplus	(170,126)	(170,126)	-	30,004	30,004	-
Transfer from (to) other funds	<u>-</u>	<u>-</u>	<u>(1,896)</u>	<u>(151,174)</u>	<u>(151,174)</u>	<u>(1,863)</u>
Total	<u>(170,126)</u>	<u>(170,126)</u>	<u>(1,896)</u>	<u>(121,170)</u>	<u>(121,170)</u>	<u>(1,863)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,454</u>

There were no budget amendments during the fiscal year.

Actual revenues were more than final budget amounts by \$16,169, or 3.59 percent, while actual expenditures were \$43,166, or 15.39 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2017, the Town's governmental activities net capital assets total \$1,058,399, which represents a net decrease of \$47,558 or 4.30 percent over the previous fiscal year-end balance. The business-type activities net capital assets total \$5,536,678, an increase of \$2,876,091 or 108.10 percent over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 78,900	\$ -	\$ 78,900
Buildings and improvements	724,150	-	724,150
Infrastructure	986,005	-	986,005
Furniture, equipment, and vehicles	<u>276,594</u>	<u>-</u>	<u>276,594</u>
Total Capital Assets	2,065,649	-	2,065,649
Less: Accumulated depreciation	<u>(959,692)</u>	<u>(47,558)</u>	<u>(1,007,250)</u>
Total Capital Assets, Net	<u>\$ 1,105,957</u>	<u>\$ (47,558)</u>	<u>\$ 1,058,399</u>

Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 34,600	\$ -	\$ 34,600
Construction-in-progress	-	3,011,880	3,011,880
Vehicles	91,240	-	91,240
Infrastructure	<u>5,104,359</u>	<u>-</u>	<u>5,104,359</u>
Total Capital Assets	5,230,199	3,011,880	8,242,079
Less: Accumulated depreciation and amortization	<u>(2,569,612)</u>	<u>(135,789)</u>	<u>(2,705,401)</u>
Total Capital Assets, Net	<u>\$ 2,660,587</u>	<u>\$ 2,876,091</u>	<u>\$ 5,536,678</u>

Long-Term Debt

As of June 30, 2017, the Town's long-term obligations total \$725,882.

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Business-Type Activities			
Long-term debt	<u>\$ 980,317</u>	<u>\$ (254,435)</u>	<u>\$ 725,882</u>
Total Business-Type Activities	<u>\$ 980,317</u>	<u>\$ (254,435)</u>	<u>\$ 725,882</u>

More detailed information on the Town's long-term obligations is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Boydton, Virginia in June 2017 which uses Mecklenburg County's rate, was 5.2 percent. This compares unfavorably to the state's rate of 3.9 percent and the national rate of 4.5 percent.
- According to the 2010 U.S. Census, the population in the Town of Boydton, Virginia was 431.
- The per capita income in the Town of Boydton, Virginia was \$14,034, compared to \$27,705 for the state, according to the 2010 U.S. Census data.
- The fiscal year 2018 adopted budget anticipates General Fund revenues and expenditures to be \$491,641, a 9.10 percent increase over the fiscal year 2017 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Shirley S. Bowen, Clerk/Treasurer, Town of Boydton, Virginia, P. O. Box 62, 461 Madison Street, Boydton, Virginia 23917, telephone 434-738-6344, or visit the Town's website at www.boydton.org.

BASIC FINANCIAL STATEMENTS

Town of Boydton, Virginia

Statement of Net Position

At June 30, 2017

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 1,040,886	\$ 453,721	\$ 1,494,607
Restricted cash	3,353	865,787	869,140
Receivables, net	18,696	24,843	43,539
Due from other government	-	419,306	419,306
Capital Assets			
Land and land improvements	78,900	34,600	113,500
Construction-in-progress	-	3,011,880	3,011,880
Other capital assets, net of accumulated depreciation	979,499	2,490,198	3,469,697
Capital Assets, Net	1,058,399	5,536,678	6,595,077
Other Assets			
Net pension asset	74,988	174,972	249,960
Total Assets	2,196,322	7,475,307	9,252,323
Deferred Outflows of Resources			
Deferred outflows - pension	10,936	25,519	36,455
Total Assets and Deferred Outflows of Resources	\$ 2,207,258	\$ 7,500,826	\$ 9,288,778
Liabilities			
Pooled cash deficit	\$ -	\$ 576,725	\$ 576,725
Accounts payable and accrued expenses	16,812	845,266	862,078
Customer deposits	-	3,845	3,845
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	-	248,510	248,510
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	-	477,372	477,372
Total Liabilities	16,812	2,151,718	2,168,530
Deferred Inflows of Resources			
Deferred inflows - pension	586	1,368	1,954
Net Position			
Net investment in capital assets	1,058,399	4,810,796	5,869,195
Restricted	-	865,787	865,787
Unrestricted (Deficit)	1,131,461	(328,843)	802,618
Total Net Position	2,189,860	5,347,740	7,537,600
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,207,258	\$ 7,500,826	\$ 9,708,084

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Statement of Activities

For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>
Primary Government					Total
Governmental Activities					
General government administration	\$ 122,451	\$ -	\$ -	\$ (122,451)	\$ (122,451)
Public safety	52,037	838	23,231	(27,968)	(27,968)
Public works	95,225	27,718	1,031	(66,476)	(66,476)
Parks, recreation, and cultural	2,683	-	-	(2,683)	(2,683)
Community development	270	-	-	(270)	(270)
Total Governmental Activities	272,666	28,556	24,262	(219,848)	(219,848)
Business-Type Activities					
Water and Sewer Fund	502,050	503,929	3,443,887		\$ 3,445,766
Total Business-Type Activities	502,050	503,929	3,443,887		3,445,766
Total Primary Government	\$ 774,716	\$ 532,485	\$ 3,468,149		3,225,918
General Revenues					
Taxes					
General property taxes, real and personal				121,339	-
Other local taxes				210,581	-
Grants and contributions not restricted to specific programs				23,277	-
Investment earnings				556	1,326
Miscellaneous				58,370	15,655
Transfers				(1,896)	1,896
Total General Revenues and Transfers				412,227	18,877
Change in Net Position				192,379	3,464,643
Net Position - Beginning of Year				1,997,481	1,883,097
Net Position - End of Year				\$ 2,189,860	\$ 5,347,740

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2017

	<u>General Fund</u>	<u>Capital Projects CDBG Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 1,040,886	\$ -	\$ 1,040,886
Restricted cash	-	3,353	3,353
Accounts receivable - taxes	14,869	-	14,869
Accounts receivable - other	<u>3,827</u>	<u>-</u>	<u>3,827</u>
Total Assets	<u>\$ 1,059,582</u>	<u>\$ 3,353</u>	<u>\$ 1,062,935</u>
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 16,812</u>	<u>\$ -</u>	<u>\$ 16,812</u>
Total Liabilities	16,812	-	16,812
Deferred Inflows of Resources			
Property taxes	<u>14,869</u>	<u>-</u>	<u>14,869</u>
Total Deferred Inflows of Resources	14,869	-	14,869
Fund Balance			
Restricted	-	3,353	3,353
Unassigned	<u>1,027,901</u>	<u>-</u>	<u>1,027,901</u>
Total Fund Balance	<u>1,027,901</u>	<u>3,353</u>	<u>1,031,254</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,059,582</u>	<u>\$ 3,353</u>	<u>\$ 1,062,935</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2017

Total Fund Balances for Governmental Funds	\$ 1,031,254
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 78,900
Buildings and improvements, net of accumulated depreciation	283,316
Infrastructure, net of accumulated depreciation	694,531
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>1,652</u>

Total Capital Assets	1,058,399
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Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.

Unavailable revenue - taxes	14,869
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	10,936
Deferred inflows of resources related to pensions	<u>(586)</u>

Total Deferred Outflows and Inflows of Resources	10,350
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Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Net pension (liability) asset	<u>74,988</u>
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Total	<u>\$ 2,189,860</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	<u>General Fund</u>	<u>Capital Projects CDBG Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 121,206	\$ -	\$ 121,206
Other local taxes	210,581	-	210,581
Permits, privilege fees, and regulatory licenses	225	-	225
Fines and forfeitures	838	-	838
Use of money and property	556	-	556
Charges for services	27,718	-	27,718
Miscellaneous	58,145	-	58,145
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	<u>47,539</u>	<u>-</u>	<u>47,539</u>
Total Revenues	466,808	-	466,808
Expenditures			
General government administration	113,637	-	113,637
Public safety	49,329	-	49,329
Public works	73,308	-	73,308
Parks, recreation, and cultural	1,073	-	1,073
Community development	<u>-</u>	<u>270</u>	<u>270</u>
Total Expenditures	<u>237,347</u>	<u>270</u>	<u>237,617</u>
Excess (Deficiency) of Revenues Over Expenditures	229,461	(270)	229,191
Other Financing Sources (Uses)			
Transfer from (to) other funds	<u>(1,896)</u>	<u>-</u>	<u>(1,896)</u>
Total Other Financing Sources (Uses)	<u>(1,896)</u>	<u>-</u>	<u>(1,896)</u>
Net Change in Fund Balance	227,565	(270)	227,295
Fund Balance - Beginning of Year	<u>800,336</u>	<u>3,623</u>	<u>803,959</u>
Fund Balance - End of Year	<u>\$ 1,027,901</u>	<u>\$ 3,353</u>	<u>\$ 1,031,254</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 227,295

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Governmental Funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

Capitalized assets	\$ -	
Depreciation	<u>(47,558)</u>	(47,558)

Revenue in the Statement of Activities that do not provide current financial
resources are deferred in the fund statements. This amount represents
the difference in the amounts deferred in the fund financial statement, but
recognized in the Statement of Activities.

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Governmental funds report 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.

Pension contributions	2,149	
Cost of benefits earned net of employee contributions	<u>10,360</u>	
		<u>12,509</u>

Change in Net Position of Governmental Activities \$ 192,379

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Sewer Sinking Fund	Total
Assets			
Current Assets			
Cash and investments	\$ 386,687	\$ 67,034	\$ 453,721
Restricted cash	865,787	-	865,787
Receivables, net	24,099	744	24,843
Due from other governments	419,306	-	419,306
Total Current Assets	1,695,879	67,778	1,763,657
Noncurrent Assets			
Capital assets, net	5,536,678	-	5,536,678
Total Noncurrent Assets	5,536,678	-	5,536,678
Other Assets			
Net pension asset	174,972	-	174,972
Total Assets	7,407,529	67,778	7,475,307
Deferred Outflows of Resources			
Deferred outflows - pension	25,519	-	25,519
Total Assets and Deferred Outflows of Resources	\$ 7,433,048	\$ 67,778	\$ 7,500,826
Liabilities			
Current Liabilities			
Pooled cash deficit	\$ 576,725	\$ -	\$ 576,725
Accounts payable and accrued expenses	845,266	-	845,266
Short-term portion of debt	248,510	-	248,510
Total Current Liabilities	1,670,501	-	1,670,501
Noncurrent Liabilities			
Customer deposits	3,845	-	3,845
Long-term debt	477,372	-	477,372
Total Noncurrent Liabilities	481,217	-	481,217
Total Liabilities	2,151,718	-	2,151,718
Deferred Inflows of Resources			
Deferred inflows - pension	1,368	-	1,368
Net Position			
Net investment in capital assets	4,810,796	-	4,810,796
Restricted	865,787	-	865,787
Unrestricted (Deficit)	(396,621)	67,778	(328,843)
Total Net Position	5,279,962	67,778	5,347,740
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 7,433,048	\$ 67,778	\$ 7,500,826

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Sewer Sinking Fund	Total
Operating Revenues			
Charges for services	\$ 257,027	\$ 5,728	\$ 262,755
DOC reimbursement	241,174	-	241,174
County contribution	1,939,257	-	1,939,257
Federal grants	1,504,630	-	1,504,630
Miscellaneous income	15,655	-	15,655
Total Operating Revenues	3,957,743	5,728	3,963,471
Operating Expenses			
Salaries	135,634	-	135,634
Fringe benefits	20,852	-	20,852
Repairs, maintenance, and supplies	42,364	10,532	52,896
Utilities and telephone	30,763	-	30,763
Chemicals, supplies, lab	26,116	-	26,116
Water purchased	51,720	-	51,720
Depreciation	135,789	-	135,789
Bad debt	517	-	517
Other expenses	18,143	-	18,143
Total Operating Expenses	461,898	10,532	472,430
Operating Income (Loss)	3,495,845	(4,804)	3,491,041
Nonoperating Revenues (Expenses)			
Interest income	1,326	-	1,326
Interest expense	(29,620)	-	(29,620)
Total Nonoperating Revenues (Expenses)	(28,294)	-	(28,294)
Income (Loss) Before Operating Transfers	3,467,551	(4,804)	3,462,747
Operating Transfers In (Out)	1,896	-	1,896
Net Operating Transfers	1,896	-	1,896
Change in Net Position	3,469,447	(4,804)	3,464,643
Total Net Position - Beginning of Year	1,810,515	72,582	1,883,097
Total Net Position - End of Year	\$ 5,279,962	\$ 67,778	\$ 5,347,740

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Sewer Sinking Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 255,813	\$ 5,827	\$ 261,640
Grants and contributions	3,024,581	-	3,024,581
Miscellaneous income	256,829	-	256,829
Payments to personnel and related benefits	(185,674)	-	(185,674)
Payments to suppliers	806,558	(10,532)	796,026
Net Cash Provided by (Used in) Operating Activities	4,158,107	(4,705)	4,153,402
Cash Flows from Capital and Related Financing Activities			
Transfer from (to) other funds	1,896	-	1,896
Purchase of capital assets	(3,011,880)	-	(3,011,880)
Principal paid on capital debt	(254,435)	-	(254,435)
Interest paid on capital debt	(29,620)	-	(29,620)
Net Cash Used in Capital and Related Financing Activities	(3,294,039)	-	(3,294,039)
Cash Flows from Investing Activities			
Interest income	1,326	-	1,326
Net Increase (Decrease) in Cash and Cash Equivalents	865,394	(4,705)	860,689
Cash and Cash Equivalents - Beginning of Year	387,080	71,739	110,718
Cash and Cash Equivalents - End of Year	\$ 1,252,474	\$ 67,034	\$ 971,407
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 3,495,845	\$ (4,804)	\$ 3,491,041
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>			
Depreciation expense	135,789	-	135,789
<i>Changes in assets and liabilities</i>			
Receivables, net	(647)	99	(548)
Due from other government	(419,306)	-	(419,306)
Accounts payable and accrued expenses	838,684	-	838,684
Pooled cash deficit	136,980	-	136,980
Customer deposits	(50)	-	(50)
Deferred outflows - pension	(20,844)	-	(20,844)
Net pension asset	27,381	-	27,381
Deferred inflows - pension	(35,725)	-	(35,725)
Net Cash Provided by (Used in) Operating Activities	\$ 4,158,107	\$ (4,705)	\$ 4,153,402

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2017

	Boydton Day Fund
Assets	
Cash and investments	\$ 9,742
Total Assets	<u>\$ 9,742</u>
Liabilities	
Amounts held for others	\$ 9,742
Total Liabilities	<u>\$ 9,742</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Boydton, Virginia

Notes to the Financial Statements

Year Ended June 30, 2017

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Boydton, Virginia (the "Town"), which was incorporated in 1874, has a population of approximately 477 living within an area of .8 square miles. The Town is located in the heart of Mecklenburg County, Virginia. The Town is governed by a mayor and a six-member Town Council with each serving administrative and legislative functions.

The Town engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, and cultural, and community development.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

1-B. Financial Reporting Model

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government; as such, individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

*GASB—Required Supplementary—*GASB issued Statement No. 68—*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

1-C. Financial Statement Presentation

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. The Town has no Special Revenue Funds at this time.
- *Capital Projects Funds* – The Capital Projects Fund consists of the CDBG Fund which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water and Sewer Fund and Sewer Sinking Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- *Fiduciary Funds (Agency Funds)* – 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. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has one Fiduciary Fund, Boydton Day Fund, at this time.

1-D. Measurement Focus and Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, parks, recreation and cultural, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, public safety, public works, parks, recreation and cultural, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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, if applicable, are recorded only when payment is due.

Property 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which all funds utilize with the exception of the capital projects fund, which has separate bank accounts and investments. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$13,768 at June 30 for trade receivables.

Water and Sewer Accounts Receivable	\$ 37,867
Less: Allowance for Uncollectible	<u>(13,768)</u>
Water and Sewer Accounts Receivable, Net	<u>\$ 24,099</u>

Real and Personal Property Tax Data

The tax calendars for real and personal property taxes are summarized below:

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of water distribution and wastewater collection systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 - 50 years
Furniture and other equipment	3 - 25 years

1-E-6 Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, second half installments levied during the fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, second half installments levied during the fiscal year but due after June 30 and amounts prepaid on the second half installments are reported as deferred inflows of resources.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The Town does not accrue compensated absences (annual leave benefits) since no carryover is allowed.

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision'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.

1-E-9 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-10 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-11 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-12 Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-13 Adoption of New GASB Statements

During the fiscal year ended June 30, 2017, the Town adopted the following GASB statement:

- Statement No. 82, "Pension Issues" an amendment of GASB Statements No. 67, No. 68, and No. 73.

The adoption of this statement had no effect on the current financial statements.

1-F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

General fund expenditures did not exceed appropriations.

Fund Deficits

The water and sewer fund had an unrestricted fund deficit.

3 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 upon 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 State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

The Town does not have a formal investment policy addressing the various types of risks associated with investments.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2017</u>
Petty cash	\$ 275
Deposit accounts	<u>1,786,747</u>
Total Cash and Cash Equivalents	<u>\$ 1,787,022</u>

4 Receivables

Receivables at June 30, 2017 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Property taxes	\$ 14,869	\$ -	\$ 14,869
Tipping and sanitation	3,827	-	3,827
Water and sewer	-	37,867	37,867
Sewer sinking	<u>-</u>	<u>744</u>	<u>744</u>
Total Receivables	18,696	38,611	57,307
Less: Allowance for doubtful accounts	<u>-</u>	<u>(13,768)</u>	<u>(13,768)</u>
Net Receivables	<u>\$ 18,696</u>	<u>\$ 24,843</u>	<u>\$ 43,539</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	<u>Transfer (To)</u>	<u>Transfer From</u>
Primary Government		
General Fund		
To Water and Sewer Fund	\$ (1,896)	\$ -
Water and Sewer Fund		
From General Fund	<u>-</u>	<u>1,896</u>
Total Transfers	<u>\$ (1,896)</u>	<u>\$ 1,896</u>

Transfers between funds were primarily to support operations of the funds.

6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 78,900	\$ -	\$ -	\$ 78,900
Total Capital Assets Not Being Depreciated	78,900	-	-	78,900
Other Capital Assets				
Buildings and improvements	724,150	-	-	724,150
Infrastructure	986,005	-	-	986,005
Furniture, equipment, and vehicles	276,594	-	-	276,594
Total Other Capital Assets	1,986,749	-	-	1,986,749
Less: Accumulated depreciation for				
Buildings and improvements	423,197	17,637	-	440,834
Infrastructure	264,986	26,488	-	291,474
Furniture, equipment, and vehicles	271,509	3,433	-	274,942
Total Accumulated Depreciation	959,692	47,558	-	1,007,250
Other Capital Assets, Net	1,027,057	(47,558)	-	979,499
Net Capital Assets	\$ 1,105,957	\$ (47,558)	\$ -	\$ 1,058,399
Depreciation expense was allocated as follows:				
General government administration	\$ 16,258			
Public safety	2,708			
Public works	26,982			
Parks, recreation, and cultural	1,610			
Total Depreciation Expense	\$ 47,558			

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Business-Type Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 34,600	\$ -	\$ -	\$ 34,600
Construction-in-progress	-	3,011,880	-	3,011,880
Total Capital Assets Not Being Depreciated	34,600	3,011,880	-	3,046,480
Other Capital Assets				
Vehicles and other equipment	91,240	-	-	91,240
Infrastructure	5,104,359	-	-	5,104,359
Total Other Capital Assets	5,195,599	-	-	5,195,599
Less: Accumulated depreciation for				
Vehicles and other equipment	43,932	8,439	-	52,371
Infrastructure	2,525,680	127,350	-	2,653,030
Total Accumulated Depreciation	2,569,612	135,789	-	2,705,401
Other Capital Assets, Net	2,625,987	(135,789)	-	2,490,198
Net Capital Assets	\$ 2,660,587	\$ 2,876,091	\$ -	\$ 5,536,678
Depreciation expense		\$ 135,789		

7 Compensated Absences

Each Town employee earns vacation at the rate of 10 days after one year of service. There is no carryover. Sick leave is earned up to 10 days per year. No sick leave is paid upon termination. No amount has been recorded for compensated absences since no carryover is allowed.

8 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Business-Type Activities	
	Principal	Interest
2018	\$ 248,510	\$ 11,926
2019	29,598	12,275
2020	30,689	11,486
2021	31,729	10,677
2022	29,950	9,815
2023-2027	159,752	36,985
2028-2032	183,752	14,040
2033-2037	11,902	-
Total	\$ 725,882	\$ 107,204

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Primary Government					
Business-Type Activities					
Enterprise Fund - Water and Sewer Fund					
Long-term note with Virginia Resources Authority VWSRF Series 2004 for \$186,964, payable in semi-annual installments of \$3,116 at no interest for 30 years.	\$ 107,106	\$ -	\$ 5,950	\$ 101,156	\$ 5,950
Series 2005B Bond with Virginia Resources Authority originally issued in 2005 for \$2,310,000, payable in semi-annual installments in various amounts at rates ranging from 3.30 percent to 4.93 percent for 13 years.	455,000	-	225,000	230,000	230,000
Long-term note with Carter Bank & Trust, Water and Sewer Revenue Refunding Bond, Series 2011 for \$508,000, payable in semi-annual installments in various amounts at rates ranging from 3.25 percent to 3.30 percent for 20 years.	405,000	-	21,000	384,000	10,000
Long-term note with USDA for \$6,650, payable in annual installments of \$1,083 at 3.375 percent interest for 7 years.	4,881	-	1,567	3,314	946
Long-term note with USDA for \$11,350, payable in annual installments of \$1,848 at 3.375 percent interest for 7 years.	8,330	-	918	7,412	1,614
Total Business-Type Activities	980,317	-	254,435	725,882	248,510
Total Primary Government	\$ 980,317	\$ -	\$ 254,435	\$ 725,882	\$ 248,510

9 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2017 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 2,065,649	\$ 8,242,079
Less: Accumulated depreciation	1,007,250	2,705,401
Book value	1,058,399	5,536,678
Less: Capital related debt	-	725,882
Net Investment in Capital Assets	\$ 1,058,399	\$ 4,810,796

10 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes are comprised of the following:

Primary Government

General Fund

Delinquent taxes not collected within 60 days	<u>\$ 14,869</u>
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Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 14,869</u>
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11 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12 Commitments and Contingencies

Federal programs in which the Town participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The Town has two outstanding notes receivable from CDBG recipients. Due to the uncertainty and inconsistent timing with collections of these, they are currently not carried on the books. All payments are up to date as of June 30 and are booked as recovered costs. The June 30 balance of these notes is \$16,189. No payments were made in fiscal year 2017.

13 Litigation

At June 30, 2017, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

14 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	\$ 31,430,430
Debt Limits per Constitution of Virginia - 10% of Assessed Value	3,143,043
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>-</u>
Legal Debt Margin	<u>\$ 3,143,043</u>

Note: Includes all long-term general obligation bonded debt. Excludes capital leases, postretirement health care benefits, and compensated absences.

15 Surety Bond Information

The following bond was in effect as of June 30, 2017:

Virginia Municipal League Insurance Program

Blanket Crime Bond - All Employees	\$ 100,000
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16 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a 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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS

PLAN 1

About 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.

Eligible Members

Employees are in 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.

PLAN 2

About 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.

Eligible Members

Employees are in 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.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

- 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 - 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.

PLAN 1

Retirement Contributions

Employees contribute 5% 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% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Employees contribute 5% 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% member contribution but all employees will be paying the full 5% by July 1, 2016.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID

RETIREMENT PLAN

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.

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.

PLAN 1

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

VRS: 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%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: 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.

PLAN 2

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

VRS: 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 and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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 70 1/2.

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. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: 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.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component
Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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.

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

HYBRID

RETIREMENT PLAN

Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Not applicable

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 Plan 2

PLAN 1

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 towards 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.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 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.

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 of 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	7
Inactive members:	
Vested inactive members	2
Non-vested inactive members	5
Inactive members active elsewhere in VRS	4
Total inactive members	11
Active members	5
Total covered employees	<u>23</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%-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.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was -0-% 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 \$7,164 and \$6,678 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2016. The total pension liability 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 – General Employees

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	2.5 percent
Salary increases, including Inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, 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 return 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.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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:

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision 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	2.5 percent
Salary increases, including Inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, 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 return 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.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>1.00%</u>	-1.50%	<u>-0.02%</u>
Total	<u>100.00%</u>		5.83%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.33%</u>

*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%.

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2015	\$ 841,905	\$ 1,130,980	\$ (289,075)
Changes for the Year			
Service cost	19,539	-	19,539
Interest	57,937	-	57,937
Benefit changes	-	-	-
Differences between expected and actual experience	(4,227)	-	(4,227)
Contributions - employer	-	6,678	(6,678)
Contributions - employee	-	8,553	(8,553)
Net investment income	-	19,614	(19,614)
Benefit payments, including refunds of employee contributions	(28,468)	(28,468)	-
Administrative expenses	-	(703)	703
Other changes	-	(8)	8
Net Changes	44,781	5,666	39,115
Balances at June 30, 2016	\$ 886,686	\$ 1,136,646	\$ (249,960)

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

The following presents the net pension liability 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	\$ (127,476)	\$ (249,960)	\$ (350,982)

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 \$(34,534). At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,954
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	29,291	-
Employer contributions subsequent to the measurement date	<u>7,164</u>	<u>-</u>
Total	<u>\$ 36,455</u>	<u>\$ 1,954</u>

\$7,164 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 Fiscal Year ending 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 in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2018	\$ (1,737)
2019	217
2020	17,042
2021	11,815
2022	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's Fiduciary Net Position 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.

17 Fund Balances – Governmental Funds

As of June 30, 2017, fund balances are composed of the following:

	<u>Capital Projects CDBG Fund</u>
Restricted for ongoing capital projects	<u>\$ 3,353</u>

18 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through August 7, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Boydton, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2017

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 69,000	\$ 69,000	\$ 63,777	\$ (5,223)
Real property taxes - public service	-	-	34,997	34,997
Personal property taxes	23,756	23,756	13,320	(10,436)
Delinquent taxes	10,000	10,000	8,431	(1,569)
Penalties and interest	2,100	2,100	681	(1,419)
Total General Property Taxes	104,856	104,856	121,206	16,350
Other Local Taxes				
Local sales and use taxes	35,000	35,000	35,023	23
Utility taxes	97,550	97,550	98,648	1,098
Business license taxes	7,300	7,300	6,973	(327)
Bank stock tax	40,750	40,750	40,744	(6)
Motor vehicle licenses	7,500	7,500	4,085	(3,415)
Meals tax	25,020	25,020	25,108	88
Total Other Local Taxes	213,120	213,120	210,581	(2,539)
Permits, Privilege Fees, and Regulatory Licenses				
Other permits, licenses, and fees	165	165	225	60
Total Permits, Privilege Fees, and Regulatory Licenses	165	165	225	60
Fines and Forfeitures	925	925	838	(87)
Revenue from Use of Money and Property	130	130	556	426
Charges for Services				
Garbage fees	20,610	20,610	20,518	(92)
Tipping fees	7,200	7,200	7,200	-
Total Charges for Services	27,810	27,810	27,718	(92)
Miscellaneous				
Miscellaneous	2,900	2,900	8,145	5,245
Income in lieu of taxes - County	50,000	50,000	50,000	-
Total Miscellaneous	52,900	52,900	58,145	5,245
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Personal property tax relief act	10,103	10,103	10,103	-
Communications tax	17,230	17,230	14,205	(3,025)
Total Noncategorical Aid	27,333	27,333	24,308	(3,025)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Categorical Aid</i>				
Fire Grant	10,700	10,700	10,700	-
Litter Grant	1,200	1,200	1,031	(169)
Police Grant	11,500	11,500	11,500	-
Total Categorical Aid	23,400	23,400	23,231	(169)
Total Revenue from the Commonwealth of Virginia	50,733	50,733	47,539	(3,194)
Total Intergovernmental Revenue	50,733	50,733	47,539	(3,194)
Total Revenues	450,639	450,639	466,808	16,169
Expenditures				
General Government Administration				
Mayor and council fees	7,200	7,200	6,575	625
Salaries	58,640	58,640	36,859	21,781
Fringe benefits	22,609	22,609	16,000	6,609
Insurance	21,314	21,314	19,414	1,900
Office utilities	6,600	6,600	6,936	(336)
Advertising	1,300	1,300	1,306	(6)
Dues and subscriptions	750	750	1,830	(1,080)
Other administrative expenses	7,745	7,745	2,881	4,864
Professional and software fees	10,600	10,600	21,836	(11,236)
Total General Government Administration	136,758	136,758	113,637	23,121
Public Safety				
<i>Police Department</i>				
Salaries	20,152	20,152	19,296	856
Fringe benefits	1,656	1,656	1,476	180
Vehicle	2,050	2,050	838	1,212
Other expenses	750	750	301	449
Total Police Department	24,608	24,608	21,911	2,697
<i>Rescue Squad</i>	7,250	7,250	7,209	41
<i>Fire Department</i>	19,800	19,800	20,209	(409)
Total Public Safety	51,658	51,658	49,329	2,329
Public Works				
<i>Buildings and Grounds</i>				
Salaries	40,463	40,463	24,754	15,709
Fringe benefits	15,247	15,247	8,984	6,263
Tipping fee	3,150	3,150	3,498	(348)
Street lights	12,500	12,500	11,771	729
Parts and maintenance	13,962	13,962	17,859	(3,897)
Fuel expense	3,150	3,150	3,478	(328)
Other expenses	1,730	1,730	1,947	(217)
Total Buildings and Grounds	90,202	90,202	72,291	17,911
<i>Refuse Disposal</i>	850	850	1,017	(167)
Total Public Works	91,052	91,052	73,308	17,744

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Parks, Recreation, and Cultural				
Library	700	700	700	-
Ballpark	200	200	202	(2)
Presbyterian Church	<u>145</u>	<u>145</u>	<u>171</u>	<u>(26)</u>
Total Parks, Recreation, and Cultural	1,045	1,045	1,073	(28)
Community Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Community Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>280,513</u>	<u>280,513</u>	<u>237,347</u>	<u>43,166</u>
Excess (Deficiency) of Revenues Over Expenditures	170,126	170,126	229,461	59,335
Other Financing Sources (Uses)				
Contingency/surplus	(170,126)	(170,126)	-	170,126
Transfer from (to) other funds	<u>-</u>	<u>-</u>	<u>(1,896)</u>	<u>(1,896)</u>
Total Other Financing Sources (Uses)	<u>(170,126)</u>	<u>(170,126)</u>	<u>(1,896)</u>	<u>168,230</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	227,565	<u>\$ 227,565</u>
Fund Balance - Beginning of Year			<u>800,336</u>	
Fund Balance - End of Year			<u>\$ 1,027,901</u>	

Town of Boydton, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 19,539	\$ 19,542	\$ 19,958
Interest	57,937	58,266	55,036
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,227)	(54,262)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(28,468)</u>	<u>(28,015)</u>	<u>(29,686)</u>
Net change in total pension liability	44,781	(4,469)	45,308
Total pension liability - beginning	841,905	846,374	801,066
Total pension liability - ending (a)	<u>\$ 886,686</u>	<u>\$ 841,905</u>	<u>\$ 846,374</u>
 Plan fiduciary net position			
Contributions - employer	\$ 6,678	\$ 6,003	\$ 6,101
Contributions - employee	8,553	7,637	7,571
Net investment income	19,614	50,040	150,883
Benefit Payments, including refunds of employee contributions	(28,468)	(28,015)	(29,686)
Administrative expense	(703)	(690)	(818)
Other	<u>(8)</u>	<u>(8)</u>	<u>8</u>
Net change in plan fiduciary net position	5,666	34,967	134,059
Plan fiduciary net position - beginning	1,130,980	1,096,013	961,954
Plan fiduciary net position - ending (b)	<u>\$ 1,136,646</u>	<u>\$ 1,130,980</u>	<u>\$ 1,096,013</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ (249,960)</u>	<u>\$ (289,075)</u>	<u>\$ (249,639)</u>
 Plan fiduciary net position as a percentage of the total Pension liability	128.19%	134.34%	129.50%
 Covered payroll	\$ 175,415	\$ 154,415	\$ 151,415
 Political subdivision's net pension liability as a percentage of covered payroll	-142.50%	-187.21%	-164.87%

Town of Boydton, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	\$ -	\$ 7,164	\$ (7,164)	\$ 200,546	3.57%
2016	-	6,678	(6,678)	175,415	3.81%
2015	-	6,006	(6,006)	154,415	3.89%
2014	-	5,951	(5,951)	151,415	3.93%
2013	-	6,774	(6,774)	193,329	3.50%
2012	-	9,161	(9,161)	186,168	4.92%
2011	-	9,003	(9,003)	249,345	3.61%
2010	-	5,934	(5,934)	275,196	2.16%
2009	-	7,782	(7,782)	265,472	2.93%
2008	-	8,601	(8,601)	252,545	3.41%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

Town of Boydton, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2017

Changes of benefit terms – There have been no actuarially material changes to the 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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

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

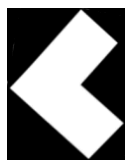
All Others (Non 10 Largest) – Non-LEOS:

- 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

COMPLIANCE SECTION



Creedle
Jones
& Alga

A Professional Corporation

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David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Kimberly W. Jackson, CPA

Nadine L. Chase, CPA
Monique A. Lubick, CPA

Sherwood H. Creedle, Emeritus

Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

**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**

To the Town Council
Town of Boydton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Boydton, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Boydton, Virginia's basic financial statements and have issued our report thereon dated August 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Boydton, Virginia'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 of Boydton, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Boydton, Virginia'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Boydton, Virginia's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

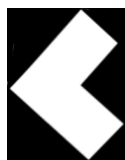
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
August 7, 2018



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

To the Town Council
Town of Boydton, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Boydton, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Boydton, Virginia's major federal programs for the year ended June 30, 2017. Town of Boydton, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Boydton, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Boydton, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Boydton, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
August 7, 2018

Town of Boydton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U. S. Department of Commerce			
Direct Payments			
Investments for Public Works and Economic Development Facilities	11.300	N/A	<u>\$ 1,505,940</u>
Grand Total			<u>\$ 1,505,940</u>

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Town of Boydton, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Boydton, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Boydton, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Town of Boydton, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

No awards passed through to subrecipients.

Town of Boydton, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

CFDA Number(s)

Name of Federal Program or Cluster

11.300 Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

2. Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards

None

3. Findings and Questioned Costs Relating to Federal Awards

None