



FINANCIAL REPORT

JUNE 30, 2013



TOWN OF APPOMATTOX, VIRGINIA

FINANCIAL REPORT

June 30, 2013

TOWN OF APPOMATTOX, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF APPOMATTOX, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2013

TOWN COUNCIL

Paul D. Harvey, Mayor
Claudia G. Puckette
Steven T. Conner
Timothy W. Garrett
N. H. “Jimmy” Mayberry
C. Lewis McDearmon, Jr.
Mary Lou Spiggle

APPOINTED OFFICIALS

Bill Gillespie Interim Town Manager
Frank Wright, Jr. Town Attorney
Stacey Wilkes Treasurer
Roxanne Paulette Town Clerk

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Appomattox, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Appomattox, Virginia (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Report on the Financial Statements (Continued)

Basis for Qualified Opinion

The Town has not reported an inventory balance for the materials and supplies kept on hand in the water and sewer funds. Accounting principles generally accepted in the United States of America require that in the proprietary funds, inventories be recognized as an asset when purchased and reported as an expense when used. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities and the water and sewer funds is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the water and sewer funds of the Town, as of June 30, 2013, and the respective changes in financial position and cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the remaining fund information as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in conformity 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 and the schedule of funding progress for defined benefit pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

The other supplementary information and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and supporting schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and other statistical information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
July 2, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Appomattox, we offer readers of the Town of Appomattox's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$11,694,570 (net position). Of this amount \$3,147,015 may be used to meet the Town's ongoing obligations to citizens and creditors (unrestricted net position).
- The Town's total net position decreased by \$12,915. The decrease is due to depreciation within the water and sewer funds.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,797,341, a decrease of \$48,322 in comparison with the prior year. Approximately seventy-one percent of this total amount, \$1,277,591, is available for spending at the government's discretion (unassigned fund balances).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,277,591, or 96 percent of the total general fund expenditures.
- The Town's total debt decreased by \$363,683(16 percent) during the current fiscal year.

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 other supplementary information in addition to the basic financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues(governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges(business-type activities). The governmental activities of the Town include general government administration, public safety, public works, and community development. The business-type activities of the Town include water and sewer.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund. 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, which is considered to be a major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the Town.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Appomattox, assets exceeded liabilities by \$11,694,570 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position \$8,547,555 (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 1,870,900	\$ 1,915,257	\$ 1,487,859	\$ 1,615,548	\$ 3,358,759	\$ 3,530,805
Capital assets	813,272	593,057	9,654,633	10,029,979	10,467,905	10,623,036
Total Assets	\$ 2,684,172	\$ 2,508,314	\$ 11,142,492	\$ 11,645,527	\$ 13,826,664	\$ 14,153,841
Long-term liabilities	\$ 41,974	\$ 122,736	\$ 1,900,462	\$ 2,183,383	\$ 1,942,436	\$ 2,306,119
Current liabilities	47,121	46,715	142,537	93,522	189,658	140,237
Total Liabilities	\$ 89,095	\$ 169,451	\$ 2,042,999	\$ 2,276,905	\$ 2,132,094	\$ 2,446,356
Net position:						
Net investment in						
capital assets	\$ 781,620	\$ 480,996	\$ 7,765,935	\$ 7,866,287	\$ 8,547,555	\$ 8,347,283
Unrestricted	1,813,457	1,857,867	1,333,558	1,502,335	3,147,015	3,360,202
Total Net Position	\$ 2,595,077	\$ 2,338,863	\$ 9,099,493	\$ 9,368,622	\$ 11,694,570	\$ 11,707,485

During the current fiscal year, the Town's net position decreased by \$12,915. The major factor for the decrease in net position is the depreciation of capital assets.

Governmental activities. Governmental activities had an increase of net position of \$256,214. Key elements of this increase are as follow:

Changes in Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,028	\$ 14,187
Operating Grants and Contributions	49,408	49,408
General revenues:		
Property taxes	299,191	311,373
Other taxes	932,892	892,403
Intergovernmental revenue not restricted to specific programs	28,158	26,100
Other	25,465	24,827
Total Revenues	<u>\$ 1,340,142</u>	<u>\$ 1,318,298</u>
Expenses		
General government administration	\$ 333,298	\$ 317,829
Public safety	55,902	199,149
Public works	597,701	487,529
Community development	94,030	97,023
Interest on long-term debt	2,997	3,973
Total Expenses	<u>\$ 1,083,928</u>	<u>\$ 1,105,503</u>
Increase in net position	\$ 256,214	\$ 212,795
Net Position July 1	<u>2,338,863</u>	<u>2,126,068</u>
Net Position June 30	<u>\$ 2,595,077</u>	<u>\$ 2,338,863</u>

- Property taxes decreased by \$12,182 (4 percent) during the year. This revenue decreased due to delinquent collections being less in FY 2013.
- Other taxes increased by \$40,489 (5 percent) during the year as a result of an increase in the meals tax and the business licenses collected during the year.
- The net increase in revenues resulted from the above mentioned increases in meals tax and business licenses.

- Expenses were reduced slightly with a decrease in public safety of \$143,247 and an increase in public works of \$110,172. Expenses associated with public safety decreased as a result of the one-time purchase of a fire truck in FY 2012 while public works increased due to increase in staff and some overall increases to the repairs and maintenance of facilities.
- **Business-type activities.** Business-type activities decreased the Town's net position by \$269,129. Key elements of this decrease are as follows.

Changes in Net Position		
	Business-type Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 967,653	\$ 988,256
Capital Grants and Contributions	-	47,114
General revenues:		
Other	<u>297,416</u>	<u>198,111</u>
Total Revenues	<u>\$ 1,265,069</u>	<u>\$ 1,233,481</u>
Expenses		
Water	\$ 573,853	\$ 509,111
Sewer	<u>960,345</u>	<u>972,560</u>
Total Expenses	<u>\$ 1,534,198</u>	<u>\$ 1,481,671</u>
Increase in net position	\$ (269,129)	\$ (248,190)
Net Position July 1	<u>9,368,622</u>	<u>9,616,812</u>
Net Position June 30	<u>\$ 9,099,493</u>	<u>\$ 9,368,622</u>

- The Water and Sewer Fund received a one-time grant for infrastructure improvements of \$47,114 during Fiscal Year 2012.
- Charges for services decreased by \$20,603. This reduction was a result of a new rate structure for water and sewer starting July 1, 2012.
- Water expenses increased by \$52,527. This was due to the cost of purchasing water and still maintaining the Town's well system for most of FY 2013.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Appomattox uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,797,341, a decrease of \$48,322 in comparison with the prior year. Approximately three-fourths of this total amount (\$1,277,591) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is assigned, committed, or nonspendable to indicate that it is not available for new spending because it has already been committed 1) to the activities associated with community development, 2) to the future purchase of capital assets, and 3) to liquidate contracts and other purchases of the prior period.

The general fund is the chief operating fund of the Town of Appomattox. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,277,591, while total fund balance reached \$1,797,341. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 102% of total general fund expenditures, while total fund balance represents 143% of that same amount.

During the current fiscal year, fund balance of the Town's general fund decreased by \$48,322.

Key factors in this decrease are as follows:

- It was anticipated to use \$251,308 of general fund undesignated fund balance to complete the public works facility
- Due to consistent revenues and operating expenses remaining less than anticipated, current operating revenues were able to pay for all but \$48,322 of the construction costs for the public works facility.

Proprietary Funds. The Town's proprietary funds proved the same type of information found in the government-wide financial statements for business-type activities of the Water and Sewer funds, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$1,333,558. The total decrease in net position for both funds was \$168,777 with \$45,641 for water and \$123,136 for sewer respectively. Other details of these funds were discussed earlier under business-type activities.

General Fund Budgetary Highlights

During the year, there was a \$391,324 increase in appropriations between the original and final amended budget.

The increase was a result of a carryover appropriation for the construction of a new public works facility, a carryover appropriation for debt retirement not paid in the prior fiscal year, and an additional appropriation for professional services associated with a market study.

Revenues & Expenditures General Fund - Budget to Actual			
	General Fund Budget to Actual		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Local revenue sources	\$ 1,127,700	\$ 1,267,017	\$ 139,317
Intergovernmental revenues	58,000	69,566	11,566
Total Revenue	<u>\$ 1,185,700</u>	<u>\$ 1,336,583</u>	<u>\$ 150,883</u>
Expenditures			
General government	\$ 390,553	\$ 335,104	\$ 55,449
Public safety	62,000	55,902	6,098
Public works	904,334	809,842	94,492
Community development	117,482	91,988	25,494
Capital outlay	20,000	13,784	6,216
Debt service	82,655	83,406	(751)
Nondepartmental	-	(5,121)	5,121
Total Expenditures	<u>\$ 1,577,024</u>	<u>\$ 1,384,905</u>	<u>\$ 192,119</u>

Revenues: Total actual revenue exceeded the final budget by \$150,883 or 13%. Total local revenues comprised 95% of total actual General Fund revenue, while intergovernmental revenues comprised the remaining 5% of total actual General Fund revenue.

Expenditures: Total General Fund expenditures were \$192,119 or 12% less than the final budget. The largest difference in the level of expenditures was within public works where actual expenditures were \$94,492 less than the final budget. The public works facility was completed during the fiscal year and a reduction in expenditures was still maintained. Debt service exceeded the final budget by \$751. Overall the governmental organization exercised strong control over expenditures for the fiscal year resulting in these savings.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2013 totals \$10,467,905. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and utility plant in service. The total decrease of the Town’s investment in capital assets for the current fiscal year was 1.4%.

Major capital asset events during the current fiscal year include the following:

- Completed construction of a public works facility.

Town's Capital Assets (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 51,600	\$ 51,600	\$ 64,710	\$ 64,710	\$ 116,310	\$ 116,310
Construction in Progress	-	127,350	-	-	-	127,350
Buildings and improvements	637,653	281,840	-	-	637,653	281,840
Utility Plant in Service	-	-	9,433,286	9,818,848	9,433,286	9,818,848
Machinery and Equipment	124,019	132,267	156,637	146,421	\$ 280,656	\$ 278,688
Total	<u>\$ 813,272</u>	<u>\$ 593,057</u>	<u>\$ 9,654,633</u>	<u>\$ 10,029,979</u>	<u>\$ 10,467,905</u>	<u>\$ 10,623,036</u>

Additional information on the Town of Appomattox’s capital assets can be found in Note 6 of the financial statements.

Long-term debt – At the end of the current fiscal year, the Town of Appomattox had total debt outstanding of \$1,942,436. General Obligation bonds make up 30.7% of the total debt and only 0.4% of the Town’s assessed value for real estate. This is well below the maximum debt limit set by the state of 10% of assessed value for real estate. The total debt principal balance for the Town decreased \$363,683 during the year.

Town's Outstanding debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Notes payable	\$ -	\$ 78,703	\$ -	\$ 85,262	\$ -	\$ 163,965
Compensated absences	10,322	10,675	11,764	19,691	22,086	30,366
Revenue bond	-	-	1,337,307	1,494,637	1,337,307	1,494,637
General obligation bond	31,652	33,358	551,391	583,793	\$ 583,043	\$ 617,151
Total	\$ 41,974	\$ 122,736	\$ 1,900,462	\$ 2,183,383	\$ 1,942,436	\$ 2,306,119

Additional information on the Town of Appomattox's long-term debt can be found in Note 7 of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

Town Treasurer
Town of Appomattox
P.O. Box 705
Appomattox, Virginia 24522
Phone 434-352-8268
Email swilkes@appomattoxva.gov

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BASIC FINANCIAL STATEMENTS

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 1,706,381	\$ 1,384,478	\$ 3,090,859
Receivables, net (Note 3)	76,519	183,381	259,900
Due from other governments (Note 5)	8,000	-	8,000
Internal balances (Note 4)	80,000	(80,000)	-
Capital assets: (Note 6)			
Nondepreciable	51,600	64,710	116,310
Depreciable, net	761,672	9,589,923	10,351,595
Total assets	2,684,172	11,142,492	13,826,664
LIABILITIES			
Accounts payable and accrued liabilities	41,049	101,739	142,788
Accrued payroll and related liabilities	6,072	7,977	14,049
Accrued interest payable	-	11,521	11,521
Customer security deposits	-	21,300	21,300
Long-term liabilities: (Note 7)			
Due within one year	4,981	196,318	201,299
Due in more than one year	36,993	1,704,144	1,741,137
Total liabilities	89,095	2,042,999	2,132,094
NET POSITION			
Net investment in capital assets	781,620	7,765,935	8,547,555
Unrestricted	1,813,457	1,333,558	3,147,015
Total net position	\$ 2,595,077	\$ 9,099,493	\$ 11,694,570

EXHIBIT 2

TOWN OF APPOMATTOX, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government administration	\$ 333,298	\$ -	\$ -	\$ -	\$ (333,298)	\$ -	\$ (333,298)
Public safety	55,902	-	49,408	-	(6,494)	-	(6,494)
Public works	597,701	725	-	-	(596,976)	-	(596,976)
Community development	94,030	4,303	-	-	(89,727)	-	(89,727)
Interest on long-term debt	2,997	-	-	-	(2,997)	-	(2,997)
Total governmental activities	1,083,928	5,028	49,408	-	(1,029,492)	-	(1,029,492)
Business-type activities							
Water	573,853	327,697	-	-	-	(246,156)	(246,156)
Sewer	960,345	639,956	-	-	-	(320,389)	(320,389)
Total business-type activities	1,534,198	967,653	-	-	-	(566,545)	(566,545)
Total primary government	\$ 2,618,126	\$ 972,681	\$ 49,408	\$ -	(1,029,492)	(566,545)	(1,596,037)
General revenues:							
Property taxes					299,191	-	299,191
Meals taxes					498,840	-	498,840
Sales and use taxes					69,623	-	69,623
Bank stock taxes					125,499	-	125,499
Business license taxes					174,343	-	174,343
Other local taxes					64,587	-	64,587
Intergovernmental revenue not restricted							
to specific programs					28,158	-	28,158
Gain on sale of assets					-	5,113	5,113
Investment earnings					13,698	10,532	24,230
Other					11,767	281,771	293,538
Total general revenues					1,285,706	297,416	1,583,122
Change in net position					256,214	(269,129)	(12,915)
NET POSITION AT JULY 1					2,338,863	9,368,622	11,707,485
NET POSITION AT JUNE 30					\$ 2,595,077	\$ 9,099,493	\$ 11,694,570

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

TOWN OF APPOMATTOX, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUND
June 30, 2013**

	General Fund
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 1,706,381
Receivables, net	76,519
Due from other governments	8,000
Due from other funds	80,000
	<hr/>
Total assets	\$ 1,870,900
	<hr/> <hr/>
LIABILITIES AND FUND BALANCE	
Accounts payable and accrued liabilities	\$ 41,049
Accrued payroll and related liabilities	6,072
Deferred revenue	26,438
	<hr/>
Total liabilities	73,559
	<hr/>
Fund balance (Note 12)	
Committed	519,750
Unassigned	1,277,591
	<hr/>
Total fund balance	1,797,341
	<hr/>
Total liabilities and fund balance	\$ 1,870,900
	<hr/> <hr/>

TOWN OF APPOMATTOX, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Ending fund balance – governmental fund \$ 1,797,341

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

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

Governmental capital assets	\$ 1,197,335	
Less: accumulated depreciation	(384,063)	

813,272

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the fund.

26,438

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

General obligation bond	(31,652)	
Compensated absences	(10,322)	

(41,974)

Total net position – governmental activities	\$ 2,595,077	

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year Ended June 30, 2013**

	<u>General Fund</u>
REVENUES	
General property taxes (Note 9)	\$ 303,632
Other local taxes	932,892
Permits, privilege fees, and regulatory licenses	725
Revenue from use of money and property	13,698
Charges for services	4,303
Other	11,767
Intergovernmental	69,566
	<hr/>
Total revenues	1,336,583
	<hr/>
EXPENDITURES	
Current	
General government administration	335,104
Public safety	55,902
Public works	809,842
Community development	91,988
Capital outlay	13,784
Debt service	
Principal retirement	80,409
Interest and other fiscal charges	2,997
	<hr/>
Total expenditures	1,390,026
	<hr/>
Deficiency of revenues over expenditures	(53,443)
	<hr/>
OTHER FINANCING SOURCES	
Sale of general capital assets	5,121
	<hr/>
Net change in fund balance	(48,322)
	<hr/>
FUND BALANCE AT JULY 1	1,845,663
	<hr/>
FUND BALANCE AT JUNE 30	\$ 1,797,341
	<hr/> <hr/>

TOWN OF APPOMATTOX, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

Net change in fund balance – governmental fund \$ (48,322)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 304,995	
Depreciation expense	(54,301)	
Disposal of assets	<u>(30,479)</u>	
		220,215

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

Deferred revenues		3,559
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The issuance of long-term debt (e.g. bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal repayments on notes payable	<u>80,409</u>	80,409
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Long-term compensated absences are reported in the statement of activities, but they do not require the use of current financial resources and, therefore are not recorded as expenditures in governmental funds.

		<u>353</u>
Change in net position of governmental activities	\$	<u><u>256,214</u></u>

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 267,500	\$ 267,500	\$ 303,632	\$ 36,132
Other local taxes	835,700	835,700	932,892	97,192
Permits, privilege fees, and regulatory licenses	2,000	2,000	725	(1,275)
Revenue from use of money and property	19,000	19,000	13,698	(5,302)
Charges for services	-	-	4,303	4,303
Other	3,500	3,500	11,767	8,267
Intergovernmental	58,000	58,000	69,566	11,566
Total revenues	1,185,700	1,185,700	1,336,583	150,883
EXPENDITURES				
Current				
General government administration	346,053	390,553	335,104	55,449
Public safety	62,000	62,000	55,902	6,098
Public works	638,026	904,334	809,842	94,492
Community development	117,482	117,482	91,988	25,494
Capital outlay	20,000	20,000	13,784	6,216
Debt service				
Principal retirement	2,139	82,655	80,409	2,246
Interest and other fiscal charges	-	-	2,997	(2,997)
Total expenditures	1,185,700	1,577,024	1,390,026	186,998
Excess (deficiency) of revenues over expenditures	-	(391,324)	(53,443)	337,881
OTHER FINANCING SOURCES				
Proceeds from sale of general capital assets	-	-	5,121	5,121
Net change in fund balance	\$ -	\$ (391,324)	\$ (48,322)	\$ 343,002

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2013**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 861,031	\$ 523,447	\$ 1,384,478
Receivable, net	98,191	85,190	183,381
Total current assets	959,222	608,637	1,567,859
Noncurrent assets:			
Capital assets, net	1,922,200	7,732,433	9,654,633
Total noncurrent assets	1,922,200	7,732,433	9,654,633
Total assets	2,881,422	8,341,070	11,222,492
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	66,036	35,703	101,739
Accrued payroll and related liabilities	4,248	3,729	7,977
Accrued interest payable	4,487	7,034	11,521
Customer security deposits	21,300	-	21,300
Due to other funds	-	80,000	80,000
Current portion of long-term debt	13,106	177,874	190,980
Current portion of compensated absences	1,002	4,336	5,338
Total current liabilities	110,179	308,676	418,855
Noncurrent liabilities:			
Long-term debt	204,579	1,493,139	1,697,718
Compensated absences	1,917	4,509	6,426
Total noncurrent liabilities	206,496	1,497,648	1,704,144
Total liabilities	316,675	1,806,324	2,122,999
NET POSITION			
Net investment in capital assets	1,704,515	6,061,420	7,765,935
Unrestricted	860,232	473,326	1,333,558
Total net position	\$ 2,564,747	\$ 6,534,746	\$ 9,099,493

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 327,697	\$ 639,956	\$ 967,653
Other	105,963	84,159	190,122
Total operating revenues	433,660	724,115	1,157,775
OPERATING EXPENSES			
Salaries	97,424	228,121	325,545
Fringe benefits	32,927	67,000	99,927
Maintenance	149,871	111,776	261,647
Utilities	15,540	16,179	31,719
Materials and supplies	9,305	120,122	129,427
Sample testing	2,475	25,956	28,431
Professional services	53,823	59,032	112,855
Other	545	879	1,424
Purchased water	105,246	-	105,246
Depreciation	96,964	318,532	415,496
Total operating expenses	564,120	947,597	1,511,717
Operating loss	(130,460)	(223,482)	(353,942)
NONOPERATING REVENUES (EXPENSES)			
Gain on disposal of capital assets	-	5,113	5,113
Interest income	5,210	5,322	10,532
Interest expense	(9,733)	(12,748)	(22,481)
Rent income	91,649	-	91,649
Net nonoperating revenues (expenses)	87,126	(2,313)	84,813
Change in net position	(43,334)	(225,795)	(269,129)
NET POSITION AT JULY 1	2,608,081	6,760,541	9,368,622
NET POSITION AT JUNE 30	\$ 2,564,747	\$ 6,534,746	\$ 9,099,493

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 342,432	\$ 630,100	\$ 972,532
Payments to suppliers	(290,098)	(320,949)	(611,047)
Payments to employees	(134,319)	(296,941)	(431,260)
Other receipts	53,997	84,159	138,156
Net cash provided by (used in) operating activities	(27,988)	96,369	68,381
NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund borrowing	-	80,000	80,000
Net cash provided by non-capital and related financing activities	-	80,000	80,000
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(34,182)	(17,941)	(52,123)
Proceeds from sale of capital assets	-	5,113	5,113
Principal paid on debt	(65,089)	(209,905)	(274,994)
Interest paid on debt	(9,978)	(14,502)	(24,480)
Net cash used in capital and related financing activities	(109,249)	(237,235)	(346,484)
INVESTING ACTIVITIES			
Water tower rent	91,649	-	91,649
Interest received	5,210	5,322	10,532
Net cash provided by investing activities	96,859	5,322	102,181
Net decrease in cash and cash equivalents	(40,378)	(55,544)	(95,922)
CASH AND CASH EQUIVALENTS			
Beginning of year	901,409	578,991	1,480,400
Ending of year	\$ 861,031	\$ 523,447	\$ 1,384,478

(Continued)

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

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating loss	\$ (130,460)	\$ (223,482)	\$ (353,942)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	96,964	318,532	415,496
Change in certain assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(41,731)	(9,856)	(51,587)
Prepaid expenses	1,085	2,269	3,354
Increase (decrease) in:			
Accounts payable and accrued liabilities	45,945	12,542	58,487
Compensated absences	(4,291)	(3,636)	(7,927)
Customer security deposits	4,500	-	4,500
Net cash provided by (used in) operating activities	<u>\$ (27,988)</u>	<u>\$ 96,369</u>	<u>\$ 68,381</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
NON-CASH TRANSACTIONS			
Capital asset additions financed by account payable	\$ -	\$ 11,973	\$ 11,973

TOWN OF APPOMATTOX, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
June 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 18,744
	<u> </u>
LIABILITIES	
Amounts held for others	\$ 18,744
	<u> </u>

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

A component unit is an entity that is legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete. The Town has no entities required to be presented as a component unit.

The Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

The Town reports the following fiduciary governmental 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. These funds include Agency Funds. Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The Town's Agency Funds include amounts held for others in a fiduciary capacity, which includes the Town of Appomattox Railroad Festival, Abbitt Memorial Park, and the Tree Board.

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

D. Budgets and Budgetary Accounting

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

- 1) Prior to June 1, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by Town Council.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 7) Appropriations lapse on June 30 for all Town departments.
- 8) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Cash and Cash Equivalents

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

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

F. Inventory

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expensed when sold. The Town does not have any inventory at June 30, 2013.

G. Prepays

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

H. Allowance for Uncollectible Accounts

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

Real estate taxes	\$ 26,353
Personal property taxes	33,178
Water fund receivables	6,519
Sewer fund receivables	<u>12,107</u>
	<u><u>\$ 78,157</u></u>

I. Capital Assets

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

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

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

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

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capitalization of Interest

The Town follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. No interest was capitalized during 2013.

K. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* in the governmental funds consisted of delinquent property taxes not collected within 45 days of year end and grant funds for fire program.

L. Compensated Absences

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

M. Net Position

Net position in government-wide and proprietary financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. The Town had no restricted net position at June 30, 2013.

N. Fund Balances

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

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

- **Committed** – Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Town Manager, who has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

O. Restricted Amounts

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

P. Minimum Fund Balance Policy

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

Q. Estimates

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

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Deposits and Investments

Deposits

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

Investments

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

The Town had no investments at June 30, 2013.

Note 3. Receivables

Receivables are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Receivables			
Taxes	\$ 135,620	\$ -	\$ 135,620
Accounts	430	202,007	202,437
	<u>136,050</u>	<u>202,007</u>	<u>338,057</u>
Gross receivables	136,050	202,007	338,057
Less: allowance for uncollectibles	59,531	18,626	78,157
	<u>59,531</u>	<u>18,626</u>	<u>78,157</u>
Net receivables	<u>\$ 76,519</u>	<u>\$ 183,381</u>	<u>\$ 259,900</u>

Note 4 Interfund Receivables and Payables

The \$80,000 due from the sewer fund to the general fund represents cash loaned for preliminary studies of sewer line leaks. The sewer fund will repay the general fund as it has cash to do so.

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5. Due from Other Governments

Amounts due from other governmental units are as follows:

Governmental Activities	
Commonwealth of Virginia	
Fire programs grant	\$ 8,000

Note 6. Capital Assets

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 51,600	\$ -	\$ -	\$ 51,600
Construction in progress	127,350	-	127,350	-
Total capital assets, not depreciated	178,950	-	127,350	51,600
Capital assets, depreciated				
Buildings and improvements	432,955	383,043	-	815,998
Machinery and equipment	364,948	49,302	84,513	329,737
Total capital assets, depreciated	797,903	432,345	84,513	1,145,735
Less accumulated depreciation for:				
Buildings and improvements	151,115	27,230	-	178,345
Machinery and equipment	232,681	27,071	54,034	205,718
Total accumulated, depreciation	383,796	54,301	54,034	384,063
Total capital assets, depreciated, net	414,107	378,044	30,479	761,672
Governmental activities capital assets, net	\$ 593,057	\$ 378,044	\$ 157,829	\$ 813,272

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 64,710	\$ -	\$ -	\$ 64,710
Total capital assets, not depreciated	64,710	-	-	64,710
Capital assets, depreciated				
Utility plant in service	15,797,531	-	-	15,797,531
Machinery and equipment	350,573	40,150	15,294	375,429
Total capital assets, depreciated	16,148,104	40,150	15,294	16,172,960
Less accumulated depreciation for:				
Utility plant in service	5,978,683	385,562	-	6,364,245
Machinery and equipment	204,152	29,934	15,294	218,792
Total accumulated depreciation	6,182,835	415,496	15,294	6,583,037
Total capital assets, depreciated, net	9,965,269	(375,346)	-	9,589,923
Business-type activities capital assets, net	<u>\$ 10,029,979</u>	<u>\$ (375,346)</u>	<u>\$ -</u>	<u>\$ 9,654,633</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Public works	\$ 47,744
General government	4,515
Community development	<u>2,042</u>
Total depreciation expense – governmental activities	<u>\$ 54,301</u>
Business-type activities	
Water	\$ 96,964
Sewer	<u>318,532</u>
Total depreciation expense – business-type activities	<u>\$ 415,496</u>

(Continued)

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
Notes payable	\$ 78,703	\$ -	\$ 78,703	\$ -	\$ -
General obligation bond	33,358	-	1,706	31,652	1,771
Compensated absences	10,675	-	353	10,322	3,210
	<u>\$ 122,736</u>	<u>\$ -</u>	<u>\$ 80,762</u>	<u>\$ 41,974</u>	<u>\$ 4,981</u>
Business-Type Activities:					
Revenue bonds	\$ 1,494,637	\$ -	\$ 157,330	\$ 1,337,307	\$ 157,330
General obligation bond	583,793	-	32,402	551,391	33,650
Notes payable	85,262	-	85,262	-	-
Compensated absences	19,691	-	7,927	11,764	5,338
	<u>\$ 2,183,383</u>	<u>\$ -</u>	<u>\$ 282,921</u>	<u>\$ 1,900,462</u>	<u>\$ 196,318</u>

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

Fiscal Year	Governmental Activities	
	General Obligation Bond	
	Principal	Interest
2014	\$ 1,771	\$ 1,206
2015	1,981	1,132
2016	2,057	1,056
2017	2,136	977
2018	2,218	895
2019-2023	12,432	3,132
2024-2026	9,057	674
	<u>\$ 31,652</u>	<u>\$ 9,072</u>

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Long-Term Liabilities (Continued)

Fiscal Year	Business-Type Activities			
	Revenue Bonds		General Obligation Bond	
	Principal	Interest	Principal	Interest
2014	\$ 157,330	\$ -	\$ 33,650	\$ 21,183
2015	157,330	-	34,800	19,897
2016	157,330	-	36,136	18,560
2017	157,330	-	37,524	17,173
2018	157,330	-	38,965	15,732
2019-2023	550,657	-	218,454	55,029
2024-2026	-	-	151,862	11,840
	<u>\$ 1,337,307</u>	<u>\$ -</u>	<u>\$ 551,391</u>	<u>\$ 159,414</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
Revenue bond Virginia Resources Authority	0.00%	06-03	06-22	\$ 3,203,000	\$ -	\$ 1,337,307
General obligation bond SunTrust	3.84%	12-10	12-25	\$ 650,000	\$ 31,652	\$ 551,391

Note 8. Defined Benefit Pension Plan

Plan Description

The Town of Appomattox contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

(Continued)

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/PDF/Publications/2012-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Defined Benefit Pension Plan (Continued)

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 6.89% of annual covered payroll.

Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$31,367 was equal to the Town's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of (APC) Contributed	Net Pension Obligation
June 30, 2013	\$ 31,367	100%	\$ -
June 30, 2012	27,681	100	-
June 30, 2011	29,456	100	-

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumption at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% and 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. The method uses techniques that smooth the effects of short-term volatility in the market value of assets over five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 91.21% funded. The actuarial accrued liability for benefits was \$1,701,799, and the actuarial value of assets was \$1,552,167, resulting in an unfunded actuarial accrued liability (UAAL) of \$149,632. The covered payroll (annual payroll of active employees covered by the plan) was \$472,660, and ratio of the UAAL to the covered payroll was 31.66%.

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 9. Property Taxes

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

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

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of ten percent of the unpaid tax is due for late payment. Interest is accrued at ten percent for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30, 2013 were as follows:

Real estate	\$	0.13
Personal property		0.55
Machinery and tools		0.55

Note 10. Service Contracts

Water Purchase Agreement

The Town entered into an agreement with the County of Appomattox, Virginia whereby the Town will purchase all water to supply the Town's customers from the County through the Concord-Appomattox 460 Waterline. The County agrees to provide the Town up to 250,000 gallons of water per day, with additional available provided the County has capacity. The contract further provides that all County residents who are customers of the Town's water system now and in the future will receive services at the same rate the Town charges in-Town customers. The rate charged to the Town each fiscal year is based on the estimated usage for the year. The rate varies based on the usage by the Town. The Town will be billed monthly for usage. Annually, subsequent to year-end, usage will be analyzed, the average daily usage will be determined, and any necessary true-up of billings will be made at that time. The initial term of this agreement is January 1, 2012 through December 31, 2030, with automatic ten year renewals thereafter, unless either party provides notice of intent to terminate at least two years prior to any expiration.

TOWN OF APPOMATTOX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 10. Service Contracts (Continued)

Waterline Maintenance Agreement

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

Note 11. Risk Management

The Town is insured for Workers' Compensation, General Liability, and other risks.

Workers' Compensation Insurance is provided through the Virginia Municipal League. During the year ended June 30, 2013, total premiums paid were \$15,496. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

General liability and other insurance is provided through policies with the Virginia Municipal League. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$3,000,000 limit. Property insurance is covered per statement of values and is approximately \$8,400,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2013 were \$26,677.

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

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Fund Balances

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

	<u>General</u>
Committed to:	
Public safety	\$ 43,946
Public works	400,000
Community development	55,000
Other capital projects	<u>20,804</u>
	<u>519,750</u>
Unassigned	<u>1,277,591</u>
Total fund balances	<u><u>\$ 1,797,341</u></u>

Note 13. New Accounting Standards

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain items as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The statement will be effective for the year ending June 30, 2014.

TOWN OF APPOMATTOX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 13. New Accounting Standards (Continued)

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

Management has not yet evaluated the effects, if any, of adopting these standards.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2013

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (Asset) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2012	\$ 1,552,167	\$ 1,701,799	\$ 149,632	91.21 %	\$ 472,660	31.66 %
June 30, 2011	1,547,186	1,594,906	47,720	97.01	471,526	10.12
June 30, 2010	1,546,434	1,562,204	15,770	98.99	573,810	2.75

OTHER SUPPLEMENTARY INFORMATION

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
June 30, 2013**

	Railroad Festival	Abbitt Memorial Park	Tree Board	Total
ASSETS				
Cash and cash equivalents	\$ 17,215	\$ 1,129	\$ 400	\$ 18,744
LIABILITIES				
Amounts held for others	\$ 17,215	\$ 1,129	\$ 400	\$ 18,744

TOWN OF APPOMATTOX, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Railroad Festival Fund				
Assets:				
Cash and cash equivalents	\$ 16,933	\$ 30,707	\$ 30,425	\$ 17,215
Liabilities:				
Amounts held for others	\$ 16,933	\$ 30,707	\$ 30,425	\$ 17,215
Abbitt Memorial Park Fund				
Assets:				
Cash and cash equivalents	\$ 879	\$ 250	\$ -	\$ 1,129
Liabilities:				
Amounts held for others	\$ 879	\$ 250	\$ -	\$ 1,129
Tree Board				
Assets:				
Cash and cash equivalents	\$ 450	\$ -	\$ 50	\$ 400
Liabilities:				
Amounts held for others	\$ 450	\$ -	\$ 50	\$ 400
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 18,262	\$ 30,957	\$ 30,475	\$ 18,744
Liabilities:				
Amounts held for others	\$ 18,262	\$ 30,957	\$ 30,475	\$ 18,744

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SUPPORTING SCHEDULES

SCHEDULE 1

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 170,000	\$ 170,000	\$ 178,289	\$ 8,289
Personal property taxes	96,000	96,000	119,118	23,118
Penalties and interest	1,500	1,500	6,225	4,725
Total general property taxes	267,500	267,500	303,632	36,132
Other local taxes:				
Local sales and use taxes	50,000	50,000	69,624	19,624
Consumption taxes	7,000	7,000	7,108	108
Communications sales and use taxes	5,700	5,700	7,036	1,336
Business license taxes	150,000	150,000	174,343	24,343
Motor vehicle licenses	23,000	23,000	21,365	(1,635)
Bank stock taxes	130,000	130,000	125,499	(4,501)
Lodging taxes	30,000	30,000	29,077	(923)
Restaurant food tax	440,000	440,000	498,840	58,840
Total other local taxes	835,700	835,700	932,892	97,192
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	2,000	2,000	725	(1,275)
Revenue from use of money and property:				
Revenue from use of money	14,000	14,000	10,203	(3,797)
Revenue from use of property	5,000	5,000	3,495	(1,505)
Total revenue from use of money and property	19,000	19,000	13,698	(5,302)
Charges for services:				
Gift shop	-	-	4,303	4,303
Miscellaneous revenue:				
Miscellaneous	3,500	3,500	11,767	8,267
Total revenue from local sources	1,127,700	1,127,700	1,267,017	139,317

(Continued)

SCHEDULE 1**TOWN OF APPOMATTOX, VIRGINIA**

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from the Commonwealth:				
Non-categorical aid:				
Auto rental taxes	\$ 3,000	\$ 3,000	\$ 3,424	\$ 424
Personal property tax relief funds	-	-	23,106	23,106
Total non-categorical aid	3,000	3,000	26,530	23,530
Categorical aid:				
Other grants	5,000	5,000	1,628	(3,372)
Fire programs	8,000	8,000	-	(8,000)
DCJS grants for law enforcement	42,000	42,000	41,408	(592)
Total categorical aid	55,000	55,000	43,036	(11,964)
Total revenue from the Commonwealth	58,000	58,000	69,566	11,566
Total governmental fund	<u>\$ 1,185,700</u>	<u>\$ 1,185,700</u>	<u>\$ 1,336,583</u>	<u>\$ 150,883</u>

SCHEDULE 2

TOWN OF APPOMATTOX, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration:				
Legislative:				
Town council	\$ 37,790	\$ 37,790	\$ 35,388	\$ 2,402
General and financial administration:				
Town manager and financial administration	266,263	266,263	258,740	7,523
Legal services	15,000	59,500	9,511	49,989
Other professional services	27,000	27,000	31,465	(4,465)
Total general and financial administration	308,263	352,763	299,716	53,047
Total general government administration	346,053	390,553	335,104	55,449
Public safety:				
Law enforcement and traffic control:				
Police department	42,000	42,000	41,408	592
Fire and rescue services:				
Fire department	20,000	20,000	14,494	5,506
Total public safety	62,000	62,000	55,902	6,098
Public works:				
Maintenance of highways, streets, bridges, and sidewalks:				
Street maintenance	479,476	479,476	392,307	87,169
Sanitation and waste removal:				
Refuse collection and disposal	88,000	88,000	87,151	849
Maintenance of general buildings, grounds, and equipment:				
Town shop	13,300	13,300	16,722	(3,422)
Town office	22,250	37,250	36,536	714
Other properties	35,000	286,308	277,126	9,182
Total maintenance of general buildings, grounds, and equipment	70,550	336,858	330,384	6,474
Total public works	638,026	904,334	809,842	94,492
Community development:				
Planning and community development:				
Tourism	74,982	74,982	71,390	3,592
Zoning	16,000	16,000	6,388	9,612
Civic organization contributions	26,500	26,500	14,210	12,290
Total community development	117,482	117,482	91,988	25,494

(Continued)

SCHEDULE 2**TOWN OF APPOMATTOX, VIRGINIA****SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GOVERNMENTAL FUND
Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Capital outlay:				
Capital outlay	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 13,784</u>	<u>\$ 6,216</u>
Debt service:				
Principal retirement	2,139	82,655	80,409	2,246
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>2,997</u>	<u>(2,997)</u>
Total debt service	<u>2,139</u>	<u>82,655</u>	<u>83,406</u>	<u>(751)</u>
Total governmental fund	<u><u>\$ 1,185,700</u></u>	<u><u>\$ 1,577,024</u></u>	<u><u>\$ 1,390,026</u></u>	<u><u>\$ 186,998</u></u>

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OTHER STATISTICAL INFORMATION

TABLE 1

TOWN OF APPOMATTOX, VIRGINIA

GOVERNMENT-WIDE REVENUES –
Last Ten Fiscal Years
UNAUDITED

Fiscal Years Ended June 30	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Totals
2013	\$ 972,681	\$ 49,408	\$ -	\$ 299,191	\$ 932,892	\$ 24,230	\$ 298,651	\$ 28,158	\$ 2,605,211
2012	1,002,443	49,408	47,114	311,373	892,403	29,666	193,272	26,100	2,551,779
2011	1,037,886	52,633	419,211	306,429	855,880	28,830	232,491	26,255	2,959,615
2010	1,123,728	59,195	-	247,797	835,476	137,672	154,151	26,146	2,584,165
2009	1,120,106	147,154	-	317,467	695,525	177,509	20,208	26,673	2,504,642
2008	979,438	157,592	-	291,389	706,133	209,665	76,901	26,211	2,447,329
2007	1,053,488	95,534	-	274,946	645,284	155,293	1,155,209	28,670	3,408,424
2006	783,733	131,821	-	262,536	647,629	94,872	29,515	28,198	1,978,304
2005	806,509	128,370	-	261,225	599,284	83,249	24,992	31,085	1,934,714
2004	653,377	673,784	-	268,272	590,796	78,962	47,842	31,521	2,344,554

TABLE 2

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

Fiscal Years Ended June 30	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Non- Departmental	Interest on Long-Term Debt	Enterprise Funds	Totals
2013	\$ 333,298	\$ 55,902	\$ 597,701	\$ -	\$ -	\$ 94,030	\$ -	\$ 2,997	\$ 1,534,198	\$ 2,618,126
2012	317,829	199,149	487,529	-	-	97,023	-	3,973	1,481,671	2,587,174
2011	390,828	77,912	484,136	-	-	162,748	-	3,324	1,386,590	2,505,538
2010	352,030	85,018	423,375	-	-	242,760	-	3,907	1,394,278	2,501,368
2009	348,200	74,104	404,724	-	-	195,154	5,024	2,168	1,280,990	2,310,364
2008	510,753	67,250	297,280	-	-	217,509	3,191	-	1,130,260	2,226,243
2007	489,255	71,806	318,100	-	-	211,393	-	51	1,181,383	2,271,988
2006	469,573	82,463	276,815	-	-	27,482	-	455	1,078,368	1,935,156
2005	344,844	82,989	214,103	-	5,000	27,620	-	896	975,706	1,651,158
2004	294,720	109,250	826,403	524	5,000	18,116	-	1,303	834,819	2,090,135

TABLE 3

TOWN OF APPOMATTOX, VIRGINIA

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

Fiscal Years Ended June 30	General Property Taxes	Other Local Taxes	Permits, Privilege Fees and Regulatory Licenses	Investment Earnings	Charges for Services	Inter- Governmental	Other	Recovered Costs	Totals
2013	\$ 303,632	\$ 932,892	\$ 725	\$ 13,698	\$ 4,303	\$ 69,566	\$ 11,767	\$ -	\$ 1,336,583
2012	325,681	892,403	1,565	16,948	12,622	75,508	7,879	-	1,332,606
2011	301,404	855,880	5,675	15,538	16,194	78,888	24,707	-	1,298,286
2010	303,440	835,476	1,650	108,091	19,406	85,341	35,042	-	1,388,446
2009	311,512	695,525	379	102,385	-	97,254	12,904	131	1,220,090
2008	278,222	706,133	5,893	120,617	-	107,230	62,496	-	1,280,591
2007	271,642	645,284	4,275	120,552	-	85,918	(246)	-	1,127,425
2006	263,700	647,629	1,500	76,317	-	83,446	23,410	9,492	1,105,494
2005	260,945	599,284	1,575	72,213	-	82,789	17,226	49,379	1,083,411
2004	270,068	590,796	575	69,245	-	105,181	39,763	55,408	1,131,036

TABLE 4

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

Fiscal Years Ended June 30	General Government Administration	Public Safety	Public Works	Community Development	Debt Service	Capital Outlay	Totals
2013	\$ 335,104	\$ 55,902	\$ 809,842	\$ 91,988	\$ 83,406	\$ 13,784	\$ 1,390,026
2012	343,408	199,149	579,310	101,415	26,812	4,965	1,255,059
2011	404,446	77,912	498,145	208,594	23,144	291	1,212,532
2010	344,385	85,018	434,941	239,042	24,853	-	1,128,239
2009	354,436	74,104	368,527	191,402	12,031	5,024	1,005,524
2008	379,238	67,250	304,897	214,554	-	3,191	969,130
2007	386,056	71,806	298,289	223,213	2,572	-	981,936
2006	475,926	82,463	251,971	-	6,172	27,482	844,014
2005	376,811	92,492	196,829	-	6,172	32,620	704,924
2004	350,793	94,250	192,235	-	6,172	51,397	694,847

(1) Excludes capital projects/outlay expenditures

TABLE 5

TOWN OF APPOMATTOX, VIRGINIA

**PROPERTY TAX LEVIES AND COLLECTIONS –
Last Ten Fiscal Years
UNAUDITED**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Current Tax Collections	Percentage of Levy	Delinquent Tax Collections	Total Tax Collections	Percentage of Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2013	\$ 305,787	\$ 287,010	93.86%	\$ 33,504	\$ 320,514	104.82%	\$ 78,746	25.75%
2012	343,989	321,908	93.58%	22,936	344,844	100.25%	86,530	25.15%
2011	332,882	291,946	87.70%	27,240	319,186	95.89%	90,266	27.12%
2010	331,652	314,266	94.76%	9,546	323,812	97.64%	70,143	21.15%
2009	314,854	296,459	94.16%	13,226	309,685	98.36%	37,879	12.03%
2008	297,382	278,232	93.56%	19,868	298,100	100.24%	27,655	9.30%
2007	298,462	280,962	94.14%	12,146	293,108	98.21%	28,334	9.49%
2006	294,005	278,660	94.78%	5,418	284,078	96.62%	28,579	9.72%
2005	289,671	275,636	95.15%	4,724	280,360	96.79%	24,881	8.59%
2004	294,363	284,425	96.62%	7,288	291,713	99.10%	17,610	5.98%

Source: Tax Records of the Town.

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

TABLE 6

TOWN OF APPOMATTOX, VIRGINIA

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities		Total Assessed Value
					Real Estate	Personal Property	
2013	\$146,133,000	\$ 20,765,428	\$ 142,600	\$ 586,560	\$ 4,795,866	\$ 35,957	\$172,459,411
2012	142,742,800	19,689,002	8,802,900	580,100	3,737,510	35,957	175,588,269
2011	139,049,400	16,484,732	9,313,336	635,448	3,753,824	35,957	169,272,697
2010	134,065,100	15,588,160	11,925,200	741,953	3,753,824	35,957	166,110,194
2009	132,100,800	15,301,104	13,600,804	708,610	3,860,292	-	165,571,610
2008	103,645,900	13,914,959	10,859,678	791,450	2,897,135	23,167	132,132,289
2007	103,021,600	14,682,596	10,351,130	830,700	3,262,573	18,549	132,167,148
2006	102,070,600	13,988,972	10,467,296	591,450	3,357,120	2,750	130,478,188
2005	101,895,800	12,966,883	10,470,946	880,000	4,382,987	4,411	130,601,027
2004	101,289,307	13,762,280	10,442,615	869,340	5,310,132	5,760	131,679,434

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

TABLE 7

TOWN OF APPOMATTOX, VIRGINIA

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities	
					Real Estate	Personal Property
2013	\$ 0.13	\$ 0.55	\$ 0.55	\$ 0.13	\$ 0.13	\$ 0.55
2012	0.13	0.55	0.55	0.13	0.13	0.55
2011	0.13	0.55	0.55	0.13	0.13	0.55
2010	0.13	0.55	0.55	0.13	0.13	0.55
2009	0.13	0.55	0.55	0.13	0.13	0.55
2008	0.15	0.55	0.55	0.15	0.15	0.55
2007	0.15	0.55	0.55	0.15	0.15	0.55
2006	0.15	0.55	0.55	0.15	0.15	0.55
2005	0.15	0.55	0.55	0.15	0.15	0.55
2004	0.15	0.55	0.55	0.15	0.15	0.55

TABLE 8

TOWN OF APPOMATTOX, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2013
UNAUDITED

Assessed value of real estate, January 1, 2012		<u>\$ 146,133,000</u>
Legal debt limit, (10% of assessed value)		14,613,300
Total bonded debt	<u>\$ 583,043</u>	<u>583,043</u>
Legal debt margin		<u><u>\$ 14,030,257</u></u>

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COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Members of Town Council
Town of Appomattox, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Appomattox, Virginia (the "Town"), as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 2, 2014, which was qualified because the Town has not recorded as inventory all materials and supplies on hand in the water and sewer funds.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. **However, as described in the accompanying Schedule of Findings and Responses as items 10-1 and 11-1, we identified certain deficiencies in internal control that we consider to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 13-1.**

Town's Response to Findings

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

Purpose of This Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
July 2, 2014

TOWN OF APPOMATTOX, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2013

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

A. FINDINGS – FINANCIAL STATEMENT AUDIT

10-1: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

Management will review all areas of controls as the accounting policies and procedures continue to be updated and new software is implemented. Management will work to improve segregation of duties as it can within the current staffing levels.

11-1: Completeness of Accounts and Adequacy of Subsidiary Ledgers (Material Weakness)

Condition:

We noted that the Town has not evaluated water and sewer funds inventories for possible inclusion in the financial statements.

Recommendation:

Town management should undertake a complete inventory to determine that all Town assets are recorded.

Management's Response:

The water and sewer parts inventory will be complete and recorded in the financial statements as of June 30, 2014.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

13-1: Budget Appropriations

Condition:

Expenditures exceeded budgeted appropriations in debt service category.

TOWN OF APPOMATTOX, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

B. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

13-1: Budget Appropriations (Continued)

Recommendation:

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

Management's Response:

Debt service was realigned and when the allocation was finished, the budget should have been adjusted. This was a one time occurrence and will not appear in future years.