



*Financial Report*  
*For The Year Ended June 30, 2018*



**TOWN OF DRAKES BRANCH, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**



## TOWN OF DRAKES BRANCH, VIRGINIA

### DIRECTORY OF OFFICIALS

#### COUNCIL

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Denise Pridgen, Mayor

Roscoe Eubanks, Sr., Vice-Mayor  
Noah Davis  
James K. Gregory

Deborah T. Kennedy  
Van Adams  
Peery Wells, Sr.

#### OFFICIALS

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Mary Sands  
N. Garrison Elder  
Codey Brooks

Town Clerk  
Town Attorney  
Town Sergeant

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TOWN OF DRAKES BRANCH, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

---

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
 <b><u>Basic Financial Statements:</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1 Statement of Net Position	9
Exhibit 2 Statement of Activities	10-11
 <b>Fund Financial Statements:</b>	
Exhibit 3 Balance Sheet - Governmental Fund	12
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	13
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	14
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	15
Exhibit 7 Statement of Net Position - Proprietary Fund	16
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	17
Exhibit 9 Statement of Cash Flows - Proprietary Fund	18
 Notes to Financial Statements	 19-30
 <b><u>Required Supplementary Information:</u></b>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	31

TOWN OF DRAKES BRANCH, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

---

	<u>Page</u>
<b><u>Other Supplementary Information:</u></b>	
<b>Supporting Schedules</b>	
Schedule 1 Schedule of Revenues - Budget and Actual - Governmental Fund	32-33
Schedule 2 Schedule of Expenditures - Budget and Actual - Governmental Fund	34
Schedule 3 Combining Schedule of Revenues, Expenses and Changes in Net Position - Proprietary Funds	35
<b><u>Compliance:</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings and Responses	38-39



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

To the Honorable Members of the Town Council  
Town of Drakes Branch, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Drakes Branch, Virginia, as of and for the year ended June 30, 2018, 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.

### *Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Drakes Branch, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 31 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary Information*

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

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, on our consideration of the Town of Drakes Branch, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Drakes Branch, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Drakes Branch, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer Cox Associates*

Charlottesville, Virginia  
January 15, 2019

## Town of Drakes Branch, Virginia Management's Discussion and Analysis

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As management of Town of Drakes Branch (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,669,964 (*net position*). Of this amount, \$666,172 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$811, of which the governmental activities accounted for a \$6,075 decrease while business-type activities accounted for a \$6,886 increase.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$209,289, an increase of \$3,255 in comparison with the prior year. \$202,553 of this fund balance is *available for spending* at the Town's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$202,553, 143% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.

### Overview of the Financial Statements

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

### Government-wide financial statements

The *government-wide financial statements* are designed to provide the 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 how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Town may have used previously accumulated funds.

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).

## Government-wide financial statements (continued)

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, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 9 through 11 of this report.

## 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 two categories: governmental funds and proprietary 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains one governmental 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. The basic governmental fund financial statements can be found on exhibits 3 and 5 of this financial report.

The Town maintains one type of *Proprietary Fund*. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on exhibits 7 through 9 of this report.

## 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. The notes to the financial statements can be found on pages 19 through 30 of this report.

## Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* and *other supplementary information* concerning budgetary comparisons for the general fund. This information can be found on pages 31-35 of this report.

## 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, assets exceeded liabilities by \$3,669,964 at the close of the most recent fiscal year. A large portion of the Town's net position (\$2,972,166, 81% of total) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, infrastructure, furniture, equipment, and vehicles), 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 (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Position:

Town of Drakes Branch, Virginia  
Summary of Net Position  
June 30, 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 218,895	\$ 217,054	\$ 502,661	\$ 388,973	\$ 721,556	\$ 606,027
Capital assets	311,451	321,120	3,358,143	3,467,974	3,669,594	3,789,094
Total assets	\$ 530,346	\$ 538,174	\$ 3,860,804	\$ 3,856,947	\$ 4,391,150	\$ 4,395,121
Water and sewer deposits payable	\$ -	\$ -	\$ 5,338	\$ 5,462	\$ 5,338	\$ 5,462
Accrued interest payable	-	-	658	658	658	658
Other accounts payable	3,145	4,898	14,617	3,755	17,762	8,653
Long-term liabilities	-	-	697,428	711,195	697,428	711,195
Total liabilities	\$ 3,145	\$ 4,898	\$ 718,041	\$ 721,070	\$ 721,186	\$ 725,968
Net position:						
Net investment in capital assets	\$ 311,451	\$ 321,120	\$ 2,660,715	\$ 2,756,779	\$ 2,972,166	\$ 3,077,899
Restricted	-	-	31,626	24,522	31,626	24,522
Unrestricted	215,750	212,156	450,422	354,576	666,172	566,732
Total net position	\$ 527,201	\$ 533,276	\$ 3,142,763	\$ 3,135,877	\$ 3,669,964	\$ 3,669,153

As noted previously, the Town's net position increased by \$811 during the current fiscal year.

## Government-wide Financial Analysis (continued)

**Governmental activities** decreased the Town's net position by \$6,075. The following table summarizes the Town's Changes in Net Position:

Town of Drakes Branch, Virginia Changes in Net Position For the Year Ended June 30, 2018						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,931	\$ 4,532	\$ 283,696	\$ 266,786	\$ 285,627	\$ 271,318
Operating grants and contributions	37,233	13,992	-	-	37,233	13,992
General revenues:						
Property taxes	61,419	61,511	-	-	61,419	61,511
Other taxes	51,454	46,439	-	-	51,454	46,439
Unrestricted revenues from use of money and property	4,232	2,183	637	637	4,869	2,820
Miscellaneous	2,835	617	-	-	2,835	617
Grants and contributions not restricted to specific programs	7,003	7,045	-	-	7,003	7,045
Total revenues	\$ 166,107	\$ 136,319	\$ 284,333	\$ 267,423	\$ 450,440	\$ 403,742
Expenses:						
General government administration	\$ 68,670	\$ 54,060	\$ -	\$ -	\$ 68,670	\$ 54,060
Public safety	32,343	27,798	-	-	32,343	27,798
Public works	47,147	49,352	-	-	47,147	49,352
Parks, recreation, and cultural	3,430	1,177	-	-	3,430	1,177
Water and sewer	-	-	298,039	303,153	298,039	303,153
Total expenses	\$ 151,590	\$ 132,387	\$ 298,039	\$ 303,153	\$ 449,629	\$ 435,540
Increase (decrease) in net position before transfers	\$ 14,517	\$ 3,932	\$ (13,706)	\$ (35,730)	\$ 811	\$ (31,798)
Transfers	(20,592)	(21,257)	20,592	21,257	-	-
Increase (decrease) in net position	\$ (6,075)	\$ (17,325)	\$ 6,886	\$ (14,473)	\$ 811	\$ (31,798)
Net position - beginning of year	533,276	550,601	3,135,877	3,150,350	3,669,153	3,700,951
Net position - end of year	\$ 527,201	\$ 533,276	\$ 3,142,763	\$ 3,135,877	\$ 3,669,964	\$ 3,669,153

**Business-type activities** increased the Town's net position by \$6,886. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

## Financial Analysis of the Town's Funds

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

**Governmental fund:** The focus of the Town's *governmental fund* 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 fund reported an ending fund balance of \$209,289, an increase of \$3,255 in comparison with the prior year. \$202,553 is reported as unassigned, which is available for spending at the Town's discretion.

At the end of the current fiscal year, unassigned fund balance as well as total fund balance of the General Fund was \$202,553. As a measure of the General Fund's liquidity, the unassigned fund balance represents 178% of total General Fund expenditures.

**Proprietary funds:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the proprietary funds was \$3,142,763, of which \$450,422 was unrestricted and available for use at the Town's discretion. The total increase in net position was \$6,886.

## 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, 2018, amounts to \$3,669,594 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, and furniture, equipment, and vehicles as well as construction in progress.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,523	\$ 6,523	\$ 31,091	\$ 31,091	\$ 37,614	\$ 37,614
Buildings and improvements	175,712	183,577	-	-	175,712	183,577
Infrastructure	112,370	123,178	3,327,052	3,436,883	3,439,422	3,560,061
Furniture, equipment, and vehicles	16,846	7,842	-	-	16,846	7,842
Total	\$ 311,451	\$ 321,120	\$ 3,358,143	\$ 3,467,974	\$ 3,669,594	\$ 3,789,094

Additional information on the Town's capital assets can be found in note 4 on pages 27 and 28 of this report.

**Long-term obligations:** At the end of the current fiscal year, the Town had one outstanding bond in the amount of \$697,428. Additional information on the Town's long-term obligations can be found in note 6 on pages 29 and 30 of this report.



### **Economic Factors and Next Year's Budgets and Rates**

The average unemployment rate for Charlotte County, the county surrounding Town of Drakes Branch, Virginia at June 30, 2018 was 3.4 percent, down from 5.2 percent as reported in the prior year. According to the 2010 U.S. Census, the population of Drakes Branch, Virginia was 530.

These factors were considered in preparing the Town's budget for the 2019 fiscal year.

### **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 addressed to Mary Sands, Clerk, Town of Drakes Branch, P.O. Box 191, Drakes Branch, Virginia 23937.



## Basic Financial Statements

Government-wide Financial Statements

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## Statement of Net Position

June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 196,129	\$ 454,250	\$ 650,379
Receivables (net of allowance for uncollectibles):			
Taxes receivable	9,740	-	9,740
Accounts receivable	6,290	16,785	23,075
Prepaid items	6,736	-	6,736
Restricted assets:			
Cash and cash equivalents	-	31,626	31,626
Capital assets (net of accumulated depreciation):			
Land	6,523	31,091	37,614
Buildings and improvements	175,712	-	175,712
Furniture, equipment, and vehicles	16,846	-	16,846
Infrastructure	112,370	3,327,052	3,439,422
Total assets	\$ 530,346	\$ 3,860,804	\$ 4,391,150
<b>LIABILITIES</b>			
Accounts payable	\$ 3,145	\$ 14,617	\$ 17,762
Water and sewer deposits payable	-	5,338	5,338
Accrued interest payable	-	658	658
Long-term liabilities:			
Due within one year	-	14,080	14,080
Due in more than one year	-	683,348	683,348
Total liabilities	\$ 3,145	\$ 718,041	\$ 721,186
<b>NET POSITION</b>			
Net investment in capital assets	\$ 311,451	\$ 2,660,715	\$ 2,972,166
Restricted for:			
Debt service	-	31,626	31,626
Unrestricted	215,750	450,422	666,172
Total net position	\$ 527,201	\$ 3,142,763	\$ 3,669,964

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

TOWN OF DRAKES BRANCH, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 68,670	\$ -	\$ 14,250	\$ -
Public safety	32,343	1,931	21,944	-
Public works	47,147	-	-	-
Parks, recreation, and cultural	3,430	-	1,039	-
Total governmental activities	\$ 151,590	\$ 1,931	\$ 37,233	\$ -
Business-type activities:				
Water and sewer	\$ 298,039	\$ 283,696	\$ -	\$ -
Total business-type activities	\$ 298,039	\$ 283,696	\$ -	\$ -
Total primary government	\$ 449,629	\$ 285,627	\$ 37,233	\$ -

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Motor vehicle licenses

Bank stock taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfer from governmental to business-type activities

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (54,420)	\$ -	\$ (54,420)
(8,468)	-	(8,468)
(47,147)	-	(47,147)
(2,391)	-	(2,391)
<u>\$ (112,426)</u>	<u>\$ -</u>	<u>\$ (112,426)</u>
 \$ -	 \$ (14,343)	 \$ (14,343)
<u>\$ -</u>	<u>\$ (14,343)</u>	<u>\$ (14,343)</u>
<u>\$ (112,426)</u>	<u>\$ (14,343)</u>	<u>\$ (126,769)</u>
 \$ 61,419	 \$ -	 \$ 61,419
14,709	-	14,709
9,364	-	9,364
4,299	-	4,299
21,598	-	21,598
1,484	-	1,484
4,232	637	4,869
2,835	-	2,835
7,003	-	7,003
(20,592)	20,592	-
<u>\$ 106,351</u>	<u>\$ 21,229</u>	<u>\$ 127,580</u>
 \$ (6,075)	 \$ 6,886	 \$ 811
<u>533,276</u>	<u>3,135,877</u>	<u>3,669,153</u>
<u>\$ 527,201</u>	<u>\$ 3,142,763</u>	<u>\$ 3,669,964</u>

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## Basic Financial Statements

Fund Financial Statements





Balance Sheet  
 Governmental Fund  
 June 30, 2018

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 196,129
Receivables (net of allowance for uncollectibles):	
Taxes receivable	9,740
Accounts receivable	6,290
Prepaid items	<u>6,736</u>
Total assets	<u><u>\$ 218,895</u></u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 3,145</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	<u>\$ 6,461</u>
<b>FUND BALANCES</b>	
Nonspendable	\$ 6,736
Unassigned	<u>202,553</u>
Total fund balances	<u>\$ 209,289</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 218,895</u></u>

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

Reconciliation of the Balance Sheet of Governmental Fund  
to the Statement of Net Position  
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	209,289
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Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds.

Capital assets	\$	784,539	
Less: accumulated depreciation		<u>(473,088)</u>	311,451

Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue - property taxes		<u>6,461</u>
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Net position of governmental activities	\$	<u><u>527,201</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Fund  
 For the Year Ended June 30, 2018

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 61,080
Other local taxes	51,454
Permits, privilege fees, and regulatory licenses	185
Fines and forfeitures	1,746
Revenue from the use of money and property	4,232
Miscellaneous	2,836
Intergovernmental:	
Commonwealth	44,236
Total revenues	<u>\$ 165,769</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 60,805
Public safety	31,643
Public works	46,044
Parks, recreation, and cultural	3,430
Total expenditures	<u>\$ 141,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 23,847</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers out	<u>\$ (20,592)</u>
Total other financing sources (uses)	<u>\$ (20,592)</u>
Net change in fund balances	\$ 3,255
Fund balance - beginning	<u>206,034</u>
Fund balance - ending	<u><u>\$ 209,289</u></u>

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

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balance of Governmental Fund  
to the Statement of Activities  
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental fund \$ 3,255

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. Details supporting this adjustment are as follows:

Capital asset additions	\$ 12,030	
Depreciation expense	<u>(21,699)</u>	(9,669)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 339

Change in net position of governmental activities \$ (6,075)

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

Statement of Net Position  
 Proprietary Fund  
 June 30, 2018

	Enterprise Fund Water and Sewer
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 454,250
Accounts receivable	16,785
Restricted assets:	
Cash and cash equivalents	31,626
Total current assets	\$ 502,661
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	\$ 31,091
Infrastructure	3,327,052
Total capital assets	\$ 3,358,143
Total noncurrent assets	\$ 3,358,143
Total assets	\$ 3,860,804
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 14,617
Water and sewer deposits payable	5,338
Accrued interest payable	658
Bonds payable - current portion	14,080
Total current liabilities	\$ 34,693
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 683,348
Total noncurrent liabilities	\$ 683,348
Total liabilities	\$ 718,041
<b>NET POSITION</b>	
Net investment in capital assets	\$ 2,660,715
Restricted for debt service	31,626
Unrestricted	450,422
Total net position	\$ 3,142,763

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2018

	Enterprise Fund Water and Sewer
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 105,634
Sewer revenues	55,494
Connection Fees	13,385
Jail waste	78,720
Penalties	4,502
Other revenues	25,961
Total operating revenues	<u>\$ 283,696</u>
<b>OPERATING EXPENSES</b>	
Salaries and fringe benefits	\$ 81,344
Telephone	1,922
Electricity - STP and PSTS	10,303
Electricity - wells	8,283
Inspections, fees, and permits	3,467
Fuel	2,277
Administrative expenses	1,662
Miscellaneous	2,366
Consulting and testing	6,152
Supplies and chemicals	19,448
Sludge removal	712
Machine hire	15,110
Engineering expenses	19,331
Depreciation	109,831
Total operating expenses	<u>\$ 282,208</u>
Operating income (loss)	<u>\$ 1,488</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	\$ 637
Interest expense	(15,831)
Total nonoperating revenues (expenses)	<u>\$ (15,194)</u>
Income before transfers	<u>\$ (13,706)</u>
Transfer from general fund	\$ 20,592
Change in net position	<u>\$ 6,886</u>
Total net position - beginning	<u>3,135,877</u>
Total net position - ending	<u><u>\$ 3,142,763</u></u>

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

## Statement of Cash Flows

## Proprietary Fund

For the Year Ended June 30, 2018

	Enterprise Fund Water and Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 288,564
Payments to suppliers	(80,171)
Payments to employees	(81,344)
Net cash provided by (used for) operating activities	<u>\$ 127,049</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 20,592
Net cash provided by (used for) noncapital financing activities	<u>\$ 20,592</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt	\$ (13,767)
Interest paid on capital debt	(15,831)
Net cash provided by (used for) capital and related financing activities	<u>\$ (29,598)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	\$ 637
Net cash provided by (used for) investing activities	<u>\$ 637</u>
Net increase (decrease) in cash and cash equivalents	\$ 118,680
Cash and cash equivalents - beginning, includes restricted cash of \$24,522	<u>367,196</u>
Cash and cash equivalents - ending, includes restricted cash of \$31,626	<u><u>\$ 485,876</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ 1,488
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 109,831
(Increase) decrease in accounts receivable	4,992
Increase (decrease) in accounts payable	10,862
Increase (decrease) in water and sewer deposits payable	<u>(124)</u>
Total adjustments	<u>\$ 125,561</u>
Net cash provided by (used for) operating activities	<u><u>\$ 127,049</u></u>

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

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## TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Financial Reporting Entity:

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

#### Individual Component Unit Disclosures

The Town has no component units.

#### Related Organizations

The Town has no related organizations.

#### Jointly Governed Organizations

The Town has no jointly governed organizations.

#### B. Government-wide and Fund Financial Statements:

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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 primary government and its component units. 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 services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit, if applicable. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**B. Government-wide and Fund Financial Statements: (Continued)**

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 major individual enterprise funds are reported as separate columns in the fund statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The government has presented the original budget in addition to the final budget in comparison with actual results.

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

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

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

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

**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. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

1. Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Trust Funds. The Governmental Fund measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The individual Governmental Funds are:

General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.

2. Proprietary Funds account for activities similar to those found in the private business sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Currently the Town's Water and Sewer Fund is accounted for as an enterprise fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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

**Enterprise Funds: (Continued)**

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 Town's enterprise funds are charges to customers for sales and services. The enterprise fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses 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 April 30, the Town Clerk submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

## TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### E. Cash and Cash Equivalents:

Cash and cash equivalents include amounts in demand deposits as well as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

#### F. Restricted Assets:

Proceeds from bonds issued for general and enterprise funds are classified as restricted assets on the Balance Sheet and Statement of Net Position because their use is limited to future capital outlay. These funds are maintained in a separate bank account under the care of a trustee.

#### G. Capital Assets:

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, infrastructure, vehicles, and equipment with an initial individual cost of more than \$5,000 (exceptions for donated assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not included in the capital assets of the government-wide statements or capitalized in the proprietary funds.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The Town had \$0 in capitalized interest for the year ended June 30, 2018.

Depreciation for capital assets is computed over the following useful lives using the straight line method.

<u>Assets</u>	<u>Years</u>
Buildings & Buildings improvements	40
Furniture, equipment, and vehicles	5-10
Infrastructure	40
Water lines	40-75

#### H. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2018.

## TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### H. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

#### I. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### J. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2018, the allowances amounted to \$56 for property taxes.

#### K. Property Taxes:

Real property is assessed by Charlotte County, Virginia at its value on July 1 and is payable annually on February 15th. Personal property taxes are assessed by Charlotte County, Virginia as of July 1 and are payable on February 15th. Taxes attach as an enforceable lien as of the date assessed. The Town bills and collects its own property taxes based on the assessed values provided by the County.

#### L. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### M. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**N. Net Position Flow Assumption:**

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**O. Investments:**

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

**P. Fund Equity:**

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

In accordance with GASB Statement 54, when fund balance resources are available for a specific purpose in more than one classification, it is the Town's practice to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town 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).



## TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

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### 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 upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### Investments:

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

The Town does not have an investment policy or investments.

### NOTE 3 - RECEIVABLES:

Receivables at June 30, 2018 consisted of the following:

#### Governmental Activities:

##### Local:

Taxes receivable	\$	9,740
Sales tax		2,967
Utility tax		750
Other local receivables		2,573
		<u>          </u>
Total due from local sources	\$	16,030
		<u>          </u>
Total for Governmental Activities	\$	16,030
		<u>          </u>

#### Business-type Activities:

##### Local:

Water and sewer billings	\$	16,785
		<u>          </u>
Total due from local sources	\$	16,785
		<u>          </u>
Total for Business-type Activities	\$	16,785
		<u>          </u>



TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities:	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 6,523	\$ -	\$ -	\$ 6,523
Total capital assets not being depreciated	\$ 6,523	\$ -	\$ -	\$ 6,523
Capital assets being depreciated:				
Buildings and improvements	\$ 418,789	\$ -	\$ -	\$ 418,789
Furniture, equipment and vehicles	17,966	12,030	-	29,996
Infrastructure	329,231	-	-	329,231
Total capital assets being depreciated	\$ 765,986	\$ 12,030	\$ -	\$ 778,016
Accumulated depreciation:				
Buildings and improvements	\$ (235,212)	\$ (7,865)	\$ -	\$ (243,077)
Furniture, equipment and vehicles	(10,124)	(3,026)	-	(13,150)
Infrastructure	(206,053)	(10,808)	-	(216,861)
Total accumulated depreciation	\$ (451,389)	\$ (21,699)	\$ -	\$ (473,088)
Total capital assets being depreciated, net	\$ 314,597	\$ (9,669)	\$ -	\$ 304,928
Net capital assets	\$ 321,120	\$ (9,669)	\$ -	\$ 311,451

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

**NOTE 4 - CAPITAL ASSETS: (Continued)**

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 31,091	\$ -	\$ -	\$ 31,091
Total capital assets not being depreciated	\$ 31,091	\$ -	\$ -	\$ 31,091
Capital assets being depreciated:				
Buildings and infrastructure	\$ 4,794,271	\$ -	\$ -	\$ 4,794,271
Total capital assets being depreciated	\$ 4,794,271	\$ -	\$ -	\$ 4,794,271
Accumulated depreciation:				
Buildings and infrastructure	\$ (1,357,388)	\$ (109,831)	\$ -	\$ (1,467,219)
Total accumulated depreciation	\$ (1,357,388)	\$ (109,831)	\$ -	\$ (1,467,219)
Total capital assets being depreciated, net	\$ 3,436,883	\$ (109,831)	\$ -	\$ 3,327,052
Net capital assets	\$ 3,467,974	\$ (109,831)	\$ -	\$ 3,358,143

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General government administration	\$ 7,865
Public safety	700
Public works	13,134
Total depreciation expense-governmental activities	\$ 21,699
Business-type activities:	
Water and Sewer Fund	\$ 109,831
Total depreciation expense-business type-activities	\$ 109,831

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

**NOTE 5 - UNAVAILABLE REVENUE:**

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$6,461 is comprised of the following:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$6,461 at June 30, 2018.

**NOTE 6 - LONG-TERM OBLIGATIONS:**

Business-type Activities:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2018:

	Balance Payable at July 1, 2017	Issuance	Retirement	Balance Payable at June 30, 2018	Amounts Due Within One Year
Bonds payable	\$ 711,195	\$ -	\$ 13,767	\$ 697,428	\$ 14,080
Total	\$ 711,195	\$ -	\$ 13,767	\$ 697,428	\$ 14,080

Annual requirements to amortize the Town's enterprise indebtedness and related interest are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 14,080	\$ 15,548
2020	14,401	15,227
2021	14,728	14,900
2022	15,063	14,565
2023	15,405	14,223
2024-2028	82,441	65,699
2029-2033	92,248	55,892
2034-2038	103,221	44,919
2039-2043	115,500	32,640
2044-2048	129,239	18,901
2049-2052	101,102	4,188
Total	\$ 697,428	\$ 296,702

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

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**NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)**

Details of the Town's outstanding long-term indebtedness at June 30, 2018 are as follows:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$755,000 Series 2012 USDA General Obligation Water Bond payable in monthly installments of \$2,469 including interest of 2.25%, maturing December 15, 2051.	\$ <u>697,428</u>	\$ <u>14,080</u>
Total business-type obligations	\$ <u><u>697,428</u></u>	\$ <u><u>14,080</u></u>

**NOTE 7 - LITIGATION:**

At June 30, 2018, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable.

### **Required Supplementary Information**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.



## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 66,100	\$ 66,100	\$ 61,080	\$ (5,020)
Other local taxes	46,000	46,000	51,454	5,454
Permits, privilege fees, and regulatory licenses	-	-	185	185
Fines and forfeitures	4,000	4,000	1,746	(2,254)
Revenue from the use of money and property	3,100	3,100	4,232	1,132
Miscellaneous	2,728	2,728	2,836	108
Intergovernmental:				
Commonwealth	<u>24,072</u>	<u>59,072</u>	<u>44,236</u>	<u>(14,836)</u>
Total revenues	<u>\$ 146,000</u>	<u>\$ 181,000</u>	<u>\$ 165,769</u>	<u>\$ (15,231)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 58,400	\$ 93,400	\$ 60,805	\$ 32,595
Public safety	41,300	41,300	31,643	9,657
Public works	45,800	45,800	46,044	(244)
Parks, recreation, and cultural	<u>500</u>	<u>500</u>	<u>3,430</u>	<u>(2,930)</u>
Total expenditures	<u>\$ 146,000</u>	<u>\$ 181,000</u>	<u>\$ 141,922</u>	<u>\$ 39,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,847</u>	<u>\$ 23,847</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,592)</u>	<u>\$ (20,592)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,592)</u>	<u>\$ (20,592)</u>
Net change in fund balances	\$ -	\$ -	\$ 3,255	\$ 3,255
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>206,034</u>	<u>206,034</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 209,289</u></u>	<u><u>\$ 209,289</u></u>





## Other Supplementary Information

Supporting Schedules



Schedule of Revenues - Budget and Actual  
 Governmental Fund  
 For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 58,000	\$ 58,000	\$ 59,276	\$ 1,276
Personal property taxes	6,500	6,500	807	(5,693)
Merchant's capital taxes	500	500	572	72
Machinery and tools taxes	100	100	35	(65)
Penalties and interest	1,000	1,000	390	(610)
Total general property taxes	\$ 66,100	\$ 66,100	\$ 61,080	\$ (5,020)
Other local taxes:				
Local sales and use taxes	\$ 15,000	\$ 15,000	\$ 14,709	\$ (291)
Utility taxes	10,000	10,000	9,364	(636)
Consumption tax	1,500	1,500	1,484	(16)
Bank stock taxes	15,000	15,000	21,598	6,598
Motor vehicle licenses	4,500	4,500	4,299	(201)
Total other local taxes	\$ 46,000	\$ 46,000	\$ 51,454	\$ 5,454
Permits, privilege fees, and regulatory licenses:				
Permits, privilege fees, and regulatory licenses	\$ -	\$ -	\$ 185	\$ 185
Fines and forfeitures:				
Court fines and forfeitures	\$ 4,000	\$ 4,000	\$ 1,746	\$ (2,254)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 557	\$ (443)
Revenue from use of property	2,100	2,100	3,675	1,575
Total revenue from use of money and property	\$ 3,100	\$ 3,100	\$ 4,232	\$ 1,132
Miscellaneous:				
Miscellaneous	\$ 2,728	\$ 2,728	\$ 2,836	\$ 108
Total revenue from local sources	\$ 121,928	\$ 121,928	\$ 121,533	\$ (395)

Schedule of Revenues - Budget and Actual  
 Governmental Fund  
 For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 1,500	\$ 1,500	\$ 1,293	(207)
Other state aid	<u>-</u>	<u>-</u>	<u>5,710</u>	<u>5,710</u>
Total noncategorical aid	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 7,003</u>	<u>\$ 5,503</u>
Categorical aid:				
Fire program	\$ 10,000	\$ 10,000	\$ 10,000	-
DHCD planning grant	-	35,000	14,250	(20,750)
Local law enforcement block grant	11,572	11,572	11,944	372
Litter control grant	<u>1,000</u>	<u>1,000</u>	<u>1,039</u>	<u>39</u>
Total categorical aid	<u>\$ 22,572</u>	<u>\$ 57,572</u>	<u>\$ 37,233</u>	<u>\$ (20,339)</u>
Total revenue from the Commonwealth	<u>\$ 24,072</u>	<u>\$ 59,072</u>	<u>\$ 44,236</u>	<u>\$ (14,836)</u>
Total General Fund	<u><u>\$ 146,000</u></u>	<u><u>\$ 181,000</u></u>	<u><u>\$ 165,769</u></u>	<u><u>\$ (15,231)</u></u>

Schedule of Expenditures - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2018

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
General and financial administration:				
Other general and financial administration	\$ 58,400	\$ 93,400	\$ 60,805	\$ 32,595
Total general government administration	\$ 58,400	\$ 93,400	\$ 60,805	\$ 32,595
 Public safety:				
Law enforcement and traffic control:				
Police department	\$ 18,300	\$ 18,300	\$ 10,793	\$ 7,507
 Fire and rescue services:				
Fire department	\$ 22,000	\$ 22,000	\$ 19,500	\$ 2,500
Ambulance and rescue services	1,000	1,000	1,350	(350)
Total fire and rescue services	\$ 23,000	\$ 23,000	\$ 20,850	\$ 2,150
 Total public safety	\$ 41,300	\$ 41,300	\$ 31,643	\$ 9,657
 Public works:				
Maintenance of highways, streets, bridges and sidewalks	\$ 24,000	\$ 24,000	\$ 18,812	\$ 5,188
Maintenance of general buildings and grounds	21,800	21,800	27,232	(5,432)
Total public works	\$ 45,800	\$ 45,800	\$ 46,044	\$ (244)
 Parks, recreation, and cultural:				
Recreation	\$ 500	\$ 500	\$ 3,430	\$ (2,930)
Total parks, recreation, and cultural	\$ 500	\$ 500	\$ 3,430	\$ (2,930)
 Total General Fund	\$ 146,000	\$ 181,000	\$ 141,922	\$ 39,078

Combining Schedule of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Enterprise Fund Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Water revenues	\$ 105,634	\$ -	\$ 105,634
Sewer revenues	-	55,494	55,494
Connection Fees	3,260	10,125	13,385
Jail waste	-	78,720	78,720
Penalties	2,796	1,706	4,502
Other revenues	25,756	205	25,961
Total operating revenues	\$ 137,446	\$ 146,250	\$ 283,696
<b>OPERATING EXPENSES</b>			
Salaries and fringe benefits	\$ 41,244	\$ 40,100	\$ 81,344
Telephone	-	1,922	1,922
Electricity - STP and PSTS	-	10,303	10,303
Electricity - wells	8,283	-	8,283
Inspections, fees, and permits	746	2,721	3,467
Fuel	895	1,382	2,277
Administrative expenses	720	942	1,662
Miscellaneous	2,078	288	2,366
Consulting and testing	2,054	4,098	6,152
Supplies and chemicals	5,301	14,147	19,448
Sludge removal	-	712	712
Machine hire	8,400	6,710	15,110
Engineering expenses	19,331	-	19,331
Depreciation	109,831	-	109,831
Total operating expenses	\$ 198,883	\$ 83,325	\$ 282,208
Operating income (loss)	\$ (61,437)	\$ 62,925	\$ 1,488
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	\$ 637	\$ -	\$ 637
Interest expense	(15,831)	-	(15,831)
Total nonoperating revenues (expenses)	\$ (15,194)	\$ -	\$ (15,194)
Income (loss) before transfers	\$ (76,631)	\$ 62,925	\$ (13,706)
Transfer from general fund	\$ 20,592	\$ -	\$ 20,592
Change in net position	\$ (56,039)	\$ 62,925	\$ 6,886

## Compliance





# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the Town Council  
Town of Drakes Branch, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Drakes Branch, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Drakes Branch, Virginia's basic financial statements and have issued our report thereon dated January 15, 2019.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses [2018-001 and 2018-002].

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Drakes Branch, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Town of Drakes Branch, Virginia's Response to Findings

Town of Drakes Branch, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Drakes Branch, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
January 15, 2019

Schedule of Findings and Responses  
For the Year Ended June 30, 2018

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

**2018-001**

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Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town's current internal control system does not provide adequate segregation of duties over accounting functions.
Cause:	One employee is responsible for initiating, recording, and posting all transactions.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	It is recommended that the Town assign accounting duties to separate employees.
Management's response:	Due to the Town's size, personnel and financial resources are not available to meet this requirement. However, other controls are in place to mitigate risk.

Schedule of Findings and Responses  
For the Year Ended June 30, 2018 (Continued)

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Section II - Financial Statement Findings (Continued)

2018-002

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Criteria:	The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires an adequate level of technical expertise.
Condition:	The Town currently lacks sufficient technical knowledge to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America.
Cause:	Town staff do not have the skill, nor does the Town utilize a third-party consultant, to prepare financial statements free from material misstatement.
Effect:	The financial records prepared by management required significant audit adjustments to be in conformity with accounting principles generally accepted in the United States of America.
Recommendation:	It is recommended that Town staff obtain additional technical training or use a third-party consultant to prepare the financial statements free of material misstatement.
Management's response:	The Town has limited resources to meet financial reporting requirements. However, other controls are in place to mitigate associated risks. The Town Clerk provides monthly financial reports for review by Town Council that is considered an integral part of the monitoring controls over the Town's financial records.