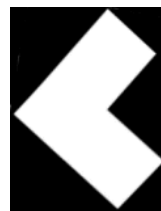


Town of Charlotte Court House, Virginia

Comprehensive Annual Financial Report

Year Ended June 30, 2019



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

Town of Charlotte Court House, Virginia

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FINANCIAL SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Denise C. Williams, CPA, CSEP
Kimberly W. Jackson, CPA*

Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

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

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Charlotte Court House, 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 Charlotte Court House, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Charlotte Court House, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Charlotte Court House, Virginia, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–7 and 30–32 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

The statistical section has 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 May 20, 2020, on our consideration of the Town of Charlotte Court House, 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 the Town of Charlotte Court House, 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 Charlotte Court House, Virginia's internal control over financial reporting and compliance.



Creddie, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
May 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Charlotte Court House, Virginia presents the following discussion and analysis as an overview of the Town of Charlotte Court House, Virginia's financial activities for the fiscal year ending June 30, 2019. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$440,993.32. Of this amount, \$349,119.57 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$2,478,766.08 with an unrestricted balance of \$50,200.59.
- The Town's total net position increased by \$90,401.51 during the current fiscal year. Of this amount, an increase of \$124,842.73 is related to governmental activities and a decrease of \$34,441.22 is attributed to business-type activities.
- As of June 30, 2019, the Town's Governmental Funds reported combined ending fund balances of \$343,810.17, an increase of \$129,152.98 in comparison with the prior year. Approximately 100% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2019, the general fund unassigned fund balance was \$343,810.17, or approximately 215.27% of total general fund expenditures.

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 supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current and other assets	<u>\$ 358,704.56</u>	\$ 264,685.50	<u>\$ 53,703.01</u>	\$ 61,924.53	<u>\$ 412,407.57</u>	\$ 326,610.03
Capital assets (net)	<u>91,873.75</u>	94,131.25	<u>3,543,374.48</u>	3,619,263.99	<u>3,635,248.23</u>	3,713,395.24
Total Assets	<u>\$ 450,578.31</u>	<u>\$ 358,816.75</u>	<u>\$ 3,597,077.49</u>	<u>\$ 3,681,188.52</u>	<u>\$ 4,047,655.80</u>	<u>\$ 4,040,005.27</u>
Liabilities						
Other liabilities	<u>\$ 9,584.99</u>	\$ 42,666.16	<u>\$ 1,118,311.41</u>	\$ 1,167,981.22	<u>\$ 1,127,896.40</u>	\$ 1,210,647.38
Total Liabilities	<u>9,584.99</u>	42,666.16	<u>1,118,311.41</u>	1,167,981.22	<u>1,127,896.40</u>	1,210,647.38
Net Position						
Net investment in capital assets	<u>91,873.75</u>	94,131.25	<u>2,428,565.49</u>	2,458,977.86	<u>2,520,439.24</u>	2,553,109.11
Unrestricted	<u>349,119.57</u>	222,019.34	<u>50,200.59</u>	54,229.44	<u>399,320.16</u>	276,248.78
Total Net Position	<u>440,993.32</u>	316,150.59	<u>2,478,766.08</u>	2,513,207.30	<u>2,919,759.40</u>	2,829,357.89
Total Liabilities and Net Position	<u>\$ 450,578.31</u>	<u>\$ 358,816.75</u>	<u>\$ 3,597,077.49</u>	<u>\$ 3,681,188.52</u>	<u>\$ 4,047,655.80</u>	<u>\$ 4,040,005.27</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for services	\$ -	\$ -	\$ 133,430.28	\$ 135,821.43	\$ 133,430.28	\$ 135,821.43
Operating grants and contributions	41,627.64	14,131.62	-	-	41,627.64	14,131.62
General Revenues						
General property taxes, real and personal	36,513.53	34,916.74	-	-	36,513.53	34,916.74
Other taxes	89,529.29	84,802.69	-	-	89,529.29	84,802.69
Grants and contributions not restricted to specific programs	8,160.71	8,318.62	-	-	8,160.71	8,318.62
Use of property	1,200.00	-	-	-	1,200.00	-
Investment earnings	1,859.91	981.64	6.19	4.66	1,866.10	986.30
Miscellaneous	107,920.76	1,144.37	450.00	930.00	108,370.76	2,074.37
Total Revenues	286,811.84	144,295.68	133,886.47	136,756.09	420,698.31	281,051.77
Expenses						
General government administration	67,895.20	71,733.15	-	-	67,895.20	71,733.15
Public safety	25,000.00	25,000.00	-	-	25,000.00	25,000.00
Public works	68,629.96	73,449.95	-	-	68,629.96	73,449.95
Parks, recreation, and cultural	443.95	92.20	-	-	443.95	92.20
Water and sewer	-	-	168,327.69	184,711.39	168,327.69	184,711.39
Total Expenses	161,969.11	170,275.30	168,327.69	184,711.39	330,296.80	354,986.69
Increase (Decrease) in Net Position	124,842.73	(25,979.62)	(34,441.22)	(47,955.30)	90,401.51	(73,934.92)
Beginning Net Position	316,150.59	342,130.21	2,513,207.30	2,561,162.60	2,829,357.89	2,903,292.81
Ending Net Position	\$ 440,993.32	\$ 316,150.59	\$ 2,478,766.08	\$ 2,513,207.30	\$ 2,919,759.40	\$ 2,829,357.89

Governmental activities increased the Town's net position by \$124,842.73 for fiscal year 2019. Revenues from governmental activities totaled \$286,811.84. Miscellaneous comprise the largest source of these revenues, totaling \$107,920.76 or 37.8% of all governmental activities revenue. This was due to an insurance refund of \$66,121.25 from a previous embezzlement loss.

The total cost of all governmental activities for this fiscal year was \$161,969.11. Public works was the Town's largest program with expenses totaling \$68,629.96.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>		<u>2018</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 67,895.20	\$ (67,895.20)	\$ 71,733.15	\$ (71,733.15)
Public safety	25,000.00	(15,000.00)	25,000.00	(15,000.00)
Public works	68,629.96	(37,002.32)	73,449.95	(69,318.33)
Parks, recreation, and cultural	<u>443.95</u>	<u>(443.95)</u>	<u>92.20</u>	<u>(92.20)</u>
Total	<u>\$ 161,969.11</u>	<u>\$ (120,341.47)</u>	<u>\$ 170,275.30</u>	<u>\$ (156,143.68)</u>

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. 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 financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$343,810.17. The combined governmental fund balance increased \$129,152.98 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$343,810.17. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 215.27% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$34,600.00	\$34,600.00	\$38,566.28	\$34,700.00	\$34,700.00	\$32,612.58
Other	82,000.00	82,000.00	89,529.29	82,800.00	82,800.00	84,802.69
Use of money and property	250.00	250.00	3,059.91	250.00	250.00	981.64
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	86,033.00	86,033.00	107,920.76	16,100.00	16,100.00	1,144.37
Intergovernmental	270,412.00	270,412.00	49,788.35	18,526.00	18,526.00	22,450.24
Total Revenues	473,295.00	473,295.00	288,864.59	152,376.00	152,376.00	141,991.52
Expenditures	536,259.00	536,259.00	159,711.61	142,376.00	142,376.00	168,017.80
Transfers In (Out)	62,964.00	62,964.00	-	(10,000.00)	(10,000.00)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 129,152.98	\$ -	\$ -	\$ (26,026.28)

The Town did not make any budget amendments during the year.

Actual revenues were less than final budget amounts by \$184,430.41, or 38.97%, while actual expenditures were \$376,547.39, or 70.22% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2019, the Town's governmental activities net capital assets total \$91,873.75, which represents a net decrease of \$2,257.50 or 2.4% over the previous fiscal year-end balance. The business-type activities net capital assets total \$3,543,374.48, a decrease of \$75,889.51 or 2.1% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land and land improvements	\$ 46,000.00	\$ -	\$ 46,000.00
Buildings and improvements	90,300.00	-	90,300.00
Furniture, equipment, and vehicles	12,790.51	-	12,790.51
Total Capital Assets	149,090.51	-	149,090.51
Less: Accumulated depreciation and amortization	(54,959.26)	(2,257.50)	(57,216.76)
Total Capital Assets, Net	\$ 94,131.25	\$ (2,257.50)	\$ 91,873.75

Business-Type Activities

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land	\$ 12,000.00	\$ -	\$ 12,000.00
Buildings and systems	4,495,044.79	-	4,495,044.79
Furniture, equipment, and vehicles	8,728.20	14,094.00	22,822.20
Total Capital Assets	4,515,772.99	14,094.00	4,529,866.99
Less: Accumulated depreciation and amortization	(896,509.00)	(89,983.51)	(986,492.51)
Total Capital Assets, Net	<u>\$ 3,619,263.99</u>	<u>\$ (75,889.51)</u>	<u>\$ 3,543,374.48</u>

Long-Term Debt

As of June 30, 2019, the Town's long-term obligations total \$1,114,808.99.

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Virginia Resources Authority	\$ 749,395.54	\$ -	\$ 39,441.86	\$ 709,953.68
USDA Rural Development	410,890.59	-	6,035.28	404,855.31
Totals	<u>\$1,160,286.13</u>	<u>\$ -</u>	<u>\$ 45,477.14</u>	<u>\$1,114,808.99</u>

More detailed information on the Town's long-term obligations is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Charlotte Court House, Virginia in June 2019, which uses Charlotte County's rate, was 3.8%. This compares unfavorably to the state's rate of 2.9% and is the same (3.8%) as the national rate.
- According to the 2010 U.S. Census, the population in the Town of Charlotte Court House, Virginia was 543.
- The per capita income in the Town of Charlotte Court House, Virginia was \$14,135, compared to \$27,705 for the state, according to the 2010 U.S. Census data.
- The fiscal year 2020 adopted budget anticipates General Fund revenues and expenditures to be \$526,173, a decrease of \$10,086 over the fiscal year 2019 budget for a new sidewalk project funded by grant funds.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Stephen D. Walker, Mayor, Town of Charlotte Court House, Virginia, P. O. Box 246, Charlotte Court House, Virginia 23923, telephone 434-542-5781 or visit the Town's website at www.towncch.com.

BASIC FINANCIAL STATEMENTS

Town of Charlotte Court House, Virginia

Statement of Net Position

At June 30, 2019

Primary Government

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 353,395.16	\$ 46,543.75	\$ 399,938.91
Receivables, net	5,309.40	7,159.26	12,468.66
Capital Assets			
Capital assets, net of accumulated depreciation	<u>91,873.75</u>	<u>3,543,374.48</u>	<u>3,635,248.23</u>
Capital Assets, Net	<u>91,873.75</u>	<u>3,543,374.48</u>	<u>3,635,248.23</u>
 Total Assets	 <u>\$ 450,578.31</u>	 <u>\$ 3,597,077.49</u>	 <u>\$ 4,047,655.80</u>
Liabilities			
Accounts payable	\$ 8,301.27	\$ 1,184.59	\$ 9,485.86
Accrued liabilities	1,283.72	-	1,283.72
Customer deposits	-	2,317.83	2,317.83
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	-	45,737.23	45,737.23
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	<u>-</u>	<u>1,069,071.76</u>	<u>1,069,071.76</u>
 Total Liabilities	 9,584.99	 1,118,311.41	 1,127,896.40
Net Position			
Net investment in capital assets	91,873.75	2,428,565.49	2,520,439.24
Unrestricted	<u>349,119.57</u>	<u>50,200.59</u>	<u>399,320.16</u>
 Total Net Position	 <u>440,993.32</u>	 <u>2,478,766.08</u>	 <u>2,919,759.40</u>
 Total Liabilities and Net Position	 <u>\$ 450,578.31</u>	 <u>\$ 3,597,077.49</u>	 <u>\$ 4,047,655.80</u>

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

Town of Charlotte Court House, Virginia

Statement of Activities

For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>
Primary Government					
Governmental Activities					
General government administration	\$ 67,895.20	\$ -	\$ -	\$ (67,895.20)	\$ (67,895.20)
Public safety	25,000.00	-	10,000.00	(15,000.00)	(15,000.00)
Public works	68,629.96	-	31,627.64	(37,002.32)	(37,002.32)
Parks, recreation, and cultural	443.95	-	-	(443.95)	(443.95)
Total Governmental Activities	161,969.11	-	41,627.64	(120,341.47)	(120,341.47)
Business-Type Activities					
Water and Sewer Fund	168,327.69	133,430.28	-		\$ (34,897.41)
Total Business-Type Activities	168,327.69	133,430.28	-		(34,897.41)
Total Primary Government	<u>\$ 330,296.80</u>	<u>\$ 133,430.28</u>	<u>\$ 41,627.64</u>		(155,238.88)
General Revenues					
Taxes					
General property taxes, real and personal				36,513.53	-
Other local taxes				89,529.29	-
Grants and contributions not restricted to specific programs				8,160.71	-
Use of property				1,200.00	-
Investment income				1,859.91	6.19
Miscellaneous				107,920.76	450.00
Total General Revenues				245,184.20	456.19
Change in Net Position				124,842.73	(34,441.22)
Net Position - Beginning of Year				316,150.59	2,513,207.30
Net Position - End of Year				<u>\$ 440,993.32</u>	<u>\$ 2,478,766.08</u>
					<u>\$ 2,919,759.40</u>

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

Town of Charlotte Court House, Virginia

Balance Sheet

Governmental Funds

At June 30, 2019

	General Fund
Assets	
Cash and investments	\$ 353,395.16
Property taxes receivable, net	<u>5,309.40</u>
Total Assets	<u><u>\$ 358,704.56</u></u>
Liabilities	
Accounts payable	\$ 8,301.27
Accrued payroll taxes	<u>1,283.72</u>
Total Liabilities	9,584.99
Deferred Inflows of Resources	
Unavailable revenue - property taxes	<u>5,309.40</u>
Total Deferred Inflows of Resources	5,309.40
Fund Balance	
Unassigned	<u>343,810.17</u>
Total Fund Balance	<u><u>343,810.17</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 358,704.56</u></u>

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

Town of Charlotte Court House, Virginia

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

At June 30, 2019

Total Fund Balances for Governmental Funds	\$ 343,810.17
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue	5,309.40
---------------------	----------

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 46,000.00
Buildings and improvements, net of accumulated depreciation	<u>45,873.75</u>

Total Capital Assets	<u>91,873.75</u>
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Total Net Position of Governmental Activities	<u><u>\$ 440,993.32</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Charlotte Court House, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

	General Fund
Revenues	
Property taxes	\$ 38,566.28
Other local taxes	89,529.29
Use of money and property	3,059.91
Miscellaneous	107,920.76
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	<u>49,788.35</u>
Total Revenues	288,864.59
Expenditures	
Current	
General government administration	67,895.20
Public safety	25,000.00
Public works	66,372.46
Parks, recreation, and cultural	<u>443.95</u>
Total Expenditures	<u>159,711.61</u>
Net Change in Fund Balance	129,152.98
Fund Balance - Beginning of Year	<u>214,657.19</u>
Fund Balance - End of Year	<u><u>\$ 343,810.17</u></u>

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

Town of Charlotte Court House, Virginia

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

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 129,152.98
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.	(2,052.75)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation	<u>(2,257.50)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 124,842.73</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Charlotte Court House, Virginia

Statement of Net Position

Proprietary Fund

At June 30, 2019

**Business-Type
Activities -
Enterprise Fund
Water and
Sewer Fund**

Assets**Current Assets**

Cash	\$ 46,543.75
Receivables, net	<u>7,159.26</u>

Total Current Assets 53,703.01

Noncurrent Assets

Capital assets, net	<u>3,543,374.48</u>
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Total Noncurrent Assets 3,543,374.48

Total Assets \$ 3,597,077.49

Liabilities**Current Liabilities**

Accounts payable	\$ 1,184.59
Customer deposits	2,317.83
Current portion of long-term debt	<u>45,737.23</u>

Total Current Liabilities 49,239.65

Long-Term Liabilities

Long-term loans payable	<u>1,069,071.76</u>
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Total Long-Term Liabilities 1,069,071.76

Total Liabilities 1,118,311.41

Net Position

Net investment in capital assets	2,428,565.49
Unrestricted	<u>50,200.59</u>

Total Net Position 2,478,766.08

Total Liabilities and Net Position \$ 3,597,077.49

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

Town of Charlotte Court House, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

Year Ended June 30, 2019

	Business-Type Activities - <u>Enterprise Fund</u> Water and <u>Sewer Fund</u>
Operating Revenues	
Water and sewer charges	\$ 132,005.28
Connection fees and reconnection fees	1,425.00
Miscellaneous income	<u>450.00</u>
Total Operating Revenues	133,880.28
Operating Expenses	
Salaries and related expenses	29,116.85
Repairs	10,446.86
Depreciation	89,983.51
Supplies	6,312.83
Electricity - wells	8,021.94
Miscellaneous	6,375.98
Insurance	<u>1,233.00</u>
Total Operating Expenses	<u>151,490.97</u>
Operating Loss	(17,610.69)
Nonoperating Revenues (Expenses)	
Interest income	6.19
Interest expense	<u>(16,836.72)</u>
Total Nonoperating Revenues (Expenses)	<u>(16,830.53)</u>
Change in Net Position	(34,441.22)
Total Net Position - Beginning of Year	<u>2,513,207.30</u>
Total Net Position - End of Year	<u><u>\$ 2,478,766.08</u></u>

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

Town of Charlotte Court House, Virginia

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2019

**Business-Type
Activities -
Enterprise Fund
Water and
Sewer Fund**

Cash Flows from Operating Activities

Receipts from customers	\$ 131,610.36
Miscellaneous income	450.00
Payments to personnel and related fringe benefits	(29,028.17)
Payments to suppliers	<u>(36,222.06)</u>
Net Cash Provided by Operating Activities	66,810.13

Cash Flows from Capital and Related Financing Activities

Principal paid on capital debt	(45,477.14)
Interest paid on capital debt	(16,836.72)
Purchase of capital assets	<u>(14,094.00)</u>
Net Cash Used in Capital and Related Financing Activities	(76,407.86)

Cash Flows from Investing Activities

Interest income	<u>6.19</u>
Net Cash Provided by Investing Activities	<u>6.19</u>

Net Decrease in Cash and Cash Equivalents	(9,591.54)
Cash and Cash Equivalents - Beginning of Year	<u>56,135.29</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 46,543.75</u></u>

**Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities**

Operating loss	\$ (17,610.69)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</i>	
Depreciation expense	89,983.51
<i>Changes in assets and liabilities</i>	
Receivables, net	(1,370.02)
Accounts payable	(3,742.77)
Customer deposits	<u>(449.90)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 66,810.13</u></u>

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

Town of Charlotte Court House, Virginia

Notes to the Financial Statements

Year Ended June 30, 2019

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Charlotte Court House, Virginia (the "Town"), which was incorporated in 1874, has a population of approximately 543 living within an area of 2 square miles. The Town is located in the central area of Charlotte County, Virginia. The Town is governed by an elected mayor and a six-member Council with each serving administrative and legislative functions.

The Town of Charlotte Court House, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, and parks, recreation, and cultural.

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

1-A. Financial Reporting Entity

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

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2019.
 - *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. There are no Capital Projects Funds as of June 30, 2019.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Agency Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds as of June 30, 2019.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

The Town's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

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

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

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

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

1-E-1 Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

1-E-2 Investments

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There was no allowance amount at June 30, 2019.

Real and Personal Property Tax Data

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

	<u>Real Property</u>	<u>Personal Property</u>
Due Date	March 5	March 5

The Town bills and collects its own property taxes.

A 10% penalty is levied on all taxes not collected on or before their due date. An interest charge of 8% per annum is also levied on such taxes beginning on September 5.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 50 years
Furniture and other equipment	3 to 25 years
Vehicles	5 to 10 years

1-E-6 Deferred Outflows/Inflows of Resources

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

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

Deferred inflows of resources in the governmental funds balance sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 Compensated Absences

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

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

The Town does not accrue compensated absences (annual leave benefits) at this time because of the immaterial amount of these benefits.

1-E-8 Fund Equity

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

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

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

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

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

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

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

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

1-E-9 Operating Revenues and Expenses

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

1-E-10 Interfund Activity

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

1-E-11 Long-Term Obligations

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

1-E-12 Adoption of New GASB Statements

During the fiscal year ended June 30, 2019, the Town did not adopt any new GASB statements.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgetary and Budgetary Accounting

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

Budgetary Data

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

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

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations in the General Fund at June 30, 2019.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Carrying Amount</u>		
Petty cash	\$	80.00	
Deposit accounts		<u>399,858.91</u>	
Total Cash and Cash Equivalents	\$	<u>399,938.91</u>	

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	<u>\$ 353,395.16</u>	<u>\$ 46,543.75</u>	<u>\$ 399,938.91</u>

4 Receivables

Receivables at June 30, 2019 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities General</u>	<u>Business-Type Activities</u>	<u>Total</u>
Receivables			
Property taxes	\$ 5,309.40	\$ -	\$ 5,309.40
Water and sewer	-	7,159.26	7,159.26
Total Receivables	<u>\$ 5,309.40</u>	<u>\$ 7,159.26</u>	<u>\$ 12,468.66</u>

5 Interfund Transfers

There are no interfund transfers at year end.

6 Due from Other Governmental Units

There are no intergovernmental amounts due to the Town at year end.

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land and land improvements	<u>\$ 46,000.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,000.00</u>
Total Capital Assets Not Being Depreciated	46,000.00	-	-	46,000.00
Other Capital Assets				
Buildings and improvements	90,300.00	-	-	90,300.00
Furniture, equipment, and vehicles	<u>12,790.51</u>	<u>-</u>	<u>-</u>	<u>12,790.51</u>
Total Other Capital Assets	103,090.51	-	-	103,090.51
Less: Accumulated depreciation for				
Buildings and improvements	(42,168.75)	(2,257.50)	-	(44,426.25)
Furniture, equipment, and vehicles	<u>(12,790.51)</u>	<u>-</u>	<u>-</u>	<u>(12,790.51)</u>
Total Accumulated Depreciation	<u>(54,959.26)</u>	<u>(2,257.50)</u>	<u>-</u>	<u>(57,216.76)</u>
Other Capital Assets, Net	<u>48,131.25</u>	<u>(2,257.50)</u>	<u>-</u>	<u>45,873.75</u>
Net Capital Assets	<u>\$ 94,131.25</u>	<u>\$ (2,257.50)</u>	<u>\$ -</u>	<u>\$ 91,873.75</u>
Depreciation expense was allocated as follows:				
Public works	<u>\$ 2,257.50</u>			
Total Depreciation Expense	<u>\$ 2,257.50</u>			

Business-Type Activities	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 12,000.00	\$ -	\$ -	\$ 12,000.00
Total Capital Assets Not Being Depreciated	12,000.00	-	-	12,000.00
Other Capital Assets				
Buildings and systems	4,495,044.79	-	-	4,495,044.79
Equipment, furniture, and fixtures	8,728.20	14,094.00	-	22,822.20
Total Other Capital Assets	4,503,772.99	14,094.00	-	4,517,866.99
Less: Accumulated depreciation for				
Buildings and systems	(887,780.80)	(89,866.06)	-	(977,646.86)
Equipment, furniture, and fixtures	(8,728.20)	(117.45)	-	(8,845.65)
Total Accumulated Depreciation	(896,509.00)	(89,983.51)	-	(986,492.51)
Other Capital Assets, Net	3,607,263.99	(75,889.51)	-	3,531,374.48
Net Capital Assets	<u>\$ 3,619,263.99</u>	<u>\$ (75,889.51)</u>	<u>\$ -</u>	<u>\$ 3,543,374.48</u>
Depreciation expense for water and sewer	<u>\$ 89,983.51</u>			

8 Compensated Absences

No provision has been booked for compensated absences due to lack of materiality.

9 Long-Term Debt

The Town has a loan from Virginia Department of Health with Virginia Resources Authority as Administrator. Installments of principal only of \$39,441.86 are payable on each June 1 and December 1 beginning December 1, 2007. This is a non-interest bearing loan.

The Town entered into a loan agreement with Rural Development in 2007. The funds are being used for water improvements. The original loan was \$438,000.00 and will be payable over 40 years at 4.125% interest in monthly installments of \$1,906.00.

PRIMARY GOVERNMENT

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

Payment Schedule	Year	Total	Principal	Interest
	2020	\$ 62,313.86	\$ 45,737.23	\$ 16,576.63
	2021	62,313.86	46,001.86	16,312.00
	2022	62,313.86	46,277.64	16,036.22
	2023	62,313.86	46,565.02	15,748.84
	2024	62,313.86	46,864.46	15,449.40
	2025-2029	311,569.30	239,273.68	72,295.62
	2030-2034	311,569.30	248,890.65	62,678.65
	2035-2039	232,685.78	181,822.85	50,862.93
	2040-2044	114,360.00	78,014.13	36,345.87
	2045-2049	114,360.00	95,850.20	18,509.80
	2050-2054	41,047.41	39,511.27	1,536.14
		<u>\$1,437,161.09</u>	<u>\$1,114,808.99</u>	<u>\$ 322,352.10</u>

Changes in Long-Term Debt

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

Debt Summary	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Virginia Department of Health	\$ 749,395.54	\$ -	\$ 39,441.86	\$ 709,953.68	\$ 39,441.86
USDA Rural Development	410,890.59	-	6,035.28	404,855.31	6,295.37
Totals	<u>\$1,160,286.13</u>	<u>\$ -</u>	<u>\$ 45,477.14</u>	<u>\$1,114,808.99</u>	<u>\$ 45,737.23</u>

10 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2019 is determined as follows:

	Governmental Activities	Business-Type Activities	Total
Net Investment in Capital Assets			
Cost of capital assets	\$ 149,090.51	\$ 4,529,866.99	\$ 4,678,957.50
Less: Accumulated depreciation	(57,216.76)	(986,492.51)	(1,043,709.27)
Book value	91,873.75	3,543,374.48	3,635,248.23
Less: Capital related debt	-	(1,114,808.99)	(1,114,808.99)
Net Investment in Capital Assets	<u>\$ 91,873.75</u>	<u>\$ 2,428,565.49</u>	<u>\$ 2,520,439.24</u>

11 Deferred Inflows of Resources

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

	Primary Government - General Fund
Delinquent taxes not collected within 60 days	<u>\$ 5,309.40</u>

12 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond covered is as follows:

Each Occurrence	\$1,000,000
Any One Fire	1,000,000
Any One Person	10,000

13 Commitments and Contingencies

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

14 Litigation

At June 30, 2019, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

15 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 29,717,473</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 2,971,747
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>1,114,809</u>
Legal Debt Margin - June 30, 2019	<u>\$ 1,856,938</u>

Note: Includes all long-term general obligation debt.

16 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through May 20, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Charlotte Court House, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2019

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 27,000.00	\$ 27,000.00	\$ 27,850.58	\$ 850.58
Personal property taxes	6,000.00	6,000.00	6,900.40	900.40
Merchants capital	600.00	600.00	1,503.08	903.08
Penalties and interest	1,000.00	1,000.00	2,312.22	1,312.22
Total General Property Taxes	34,600.00	34,600.00	38,566.28	3,966.28
Other Local Taxes				
Utility taxes	11,000.00	11,000.00	10,310.95	(689.05)
Utility BPOL/consumption tax	3,500.00	3,500.00	3,442.27	(57.73)
Bank franchise taxes	16,700.00	16,700.00	21,578.00	4,878.00
Sales taxes	12,000.00	12,000.00	15,596.91	3,596.91
Motor vehicle taxes	3,500.00	3,500.00	3,447.85	(52.15)
Meals taxes	34,000.00	34,000.00	33,623.31	(376.69)
Business licenses	1,300.00	1,300.00	1,530.00	230.00
Total Other Local Taxes	82,000.00	82,000.00	89,529.29	7,529.29
Revenue from Use of Money and Property				
Rent income	-	-	1,200.00	1,200.00
Interest earned	250.00	250.00	1,859.91	1,609.91
Total Revenue from Use of Money and Property	250.00	250.00	3,059.91	2,809.91
Miscellaneous				
County payment in lieu of taxes	15,000.00	15,000.00	40,000.00	25,000.00
Litter grant - from county	1,039.00	1,039.00	1,034.00	(5.00)
Insurance claim income	69,904.00	69,904.00	66,121.25	(3,782.75)
Other miscellaneous	90.00	90.00	765.51	675.51
Total Miscellaneous	86,033.00	86,033.00	107,920.76	21,887.76
Fines and Forfeitures				
Total Fines and Forfeitures	-	-	-	-
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
Personal Property Tax Relief Act	6,006.00	6,006.00	6,006.08	0.08
State mobile home tax	150.00	150.00	-	(150.00)
State communication tax	2,400.00	2,400.00	2,154.63	(245.37)
VDOT Evergreen project	251,856.00	251,856.00	31,627.64	(220,228.36)
Fire program	10,000.00	10,000.00	10,000.00	-
Total Revenue from the Commonwealth of Virginia	270,412.00	270,412.00	49,788.35	(220,623.65)
Total Intergovernmental Revenue	270,412.00	270,412.00	49,788.35	(220,623.65)
Total Revenues	473,295.00	473,295.00	288,864.59	(184,430.41)

				Variance With Final Budget Positive (Negative)
Expenditures	Original Budget	Final Budget	Actual	
General Government Administration				
Salaries	37,746.00	37,746.00	37,283.88	462.12
Other professional services	1,500.00	1,500.00	1,500.00	-
Town attorney	1,500.00	1,500.00	1,951.25	(451.25)
Auditor	6,700.00	6,700.00	6,700.00	-
Postage and office	2,400.00	2,400.00	3,244.57	(844.57)
Advertising	1,200.00	1,200.00	1,038.45	161.55
Conferences	1,200.00	1,200.00	195.00	1,005.00
Accounting software	1,717.00	1,717.00	1,734.00	(17.00)
Insurance refund expenditures	69,904.00	69,904.00	-	69,904.00
Insurance	4,000.00	4,000.00	4,102.00	(102.00)
Payroll tax	2,960.00	2,960.00	2,959.77	0.23
Telephone	3,200.00	3,200.00	2,695.77	504.23
Zoning	500.00	500.00	1,557.03	(1,057.03)
Miscellaneous	2,523.00	2,523.00	2,155.48	367.52
Dues and subscriptions	800.00	800.00	778.00	22.00
Total General Government Administration	137,850.00	137,850.00	67,895.20	69,954.80
Public Safety				
<i>Sheriff/Police</i>				
Law Enforcement	10,000.00	10,000.00	-	10,000.00
<i>Fire Department</i>				
State grant	10,000.00	10,000.00	10,000.00	-
Contribution - VFD	15,000.00	15,000.00	15,000.00	-
Total Fire Department	25,000.00	25,000.00	25,000.00	-
Total Public Safety	35,000.00	35,000.00	25,000.00	10,000.00
Public Works				
<i>Streets</i>				
Street lighting	9,500.00	9,500.00	9,689.65	(189.65)
Sidewalk repair project	65,964.00	65,964.00	-	65,964.00
Evergreen project	251,856.00	251,856.00	36,663.83	215,192.17
Grass contract	14,400.00	14,400.00	15,900.00	(1,500.00)
Total Streets	341,720.00	341,720.00	62,253.48	279,466.52
<i>Buildings and Grounds</i>				
Other buildings and grounds expenses	14,500.00	14,500.00	510.00	13,990.00
Electricity	3,000.00	3,000.00	1,749.79	1,250.21
Propane	3,000.00	3,000.00	836.36	2,163.64
Litter grant	1,039.00	1,039.00	1,022.83	16.17
Total Buildings and Grounds	21,539.00	21,539.00	4,118.98	17,420.02
Total Public Works	363,259.00	363,259.00	66,372.46	296,886.54

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Parks, Recreation, and Cultural				
Annual tree lighting	<u>150.00</u>	<u>150.00</u>	<u>443.95</u>	<u>(293.95)</u>
Total Parks, Recreation, and Cultural	<u>150.00</u>	<u>150.00</u>	<u>443.95</u>	<u>(293.95)</u>
 Total Expenditures	 <u>536,259.00</u>	 <u>536,259.00</u>	 <u>159,711.61</u>	 <u>376,547.39</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (62,964.00)	 (62,964.00)	 129,152.98	 192,116.98
Other Financing Sources (Uses)				
Transfers out	<u>62,964.00</u>	<u>62,964.00</u>	<u>-</u>	<u>(62,964.00)</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 129,152.98	 <u>\$ 129,152.98</u>
 Fund Balance - Beginning of Year			<u>214,657.19</u>	
 Fund Balance - End of Year			<u>\$ 343,810.17</u>	

OTHER INFORMATION

Town of Charlotte Court House, Virginia

Revenue Bond Debt Service Coverage

Last Ten Fiscal Years

Water and Sewer Revenue Bonds

<u>Fiscal Years Ended June 30</u>	<u>Gross Revenues*</u>	<u>Direct Operating Expenses**</u>	<u>Net Available</u>	<u>Principal***</u>	<u>Interest</u>	<u>Total Debt</u>	<u>Coverage</u>
2019	\$ 133,886.47	\$ 61,507.46	\$ 72,379.01	\$ 1,114,808.99	\$ 16,836.72	\$ 1,131,645.71	6.40%
2018	136,756.09	77,765.14	58,990.95	1,160,286.13	17,080.19	1,177,366.32	5.01%
2017	166,443.68	110,632.85	55,810.83	1,205,519.80	17,313.84	1,222,833.64	4.56%
2016	139,080.28	65,210.35	73,869.93	1,250,519.82	17,543.25	1,268,063.07	5.83%
2015	135,422.64	62,464.40	72,958.24	1,295,290.43	17,748.09	1,313,038.52	5.56%
2014	133,071.94	82,812.67	50,259.27	1,339,856.20	18,060.22	1,357,916.42	3.70%
2013	131,067.98	72,037.52	59,030.46	1,384,109.84	19,973.50	1,404,083.34	4.20%
2012	122,188.49	83,071.28	39,117.21	1,423,551.70	16,658.50	1,440,210.20	2.72%
2011	118,992.49	79,197.25	39,795.24	1,370,802.20	885.63	1,371,687.83	2.90%
2010	114,144.95	85,062.26	29,082.69	1,167,200.48	4,689.97	1,171,890.45	2.48%

*Operating revenues and interest income. Excludes grants.

**Excluding depreciation, interest, amortization, and reimbursed grant expenses.

***Excludes debt refinancing payoffs.

COMPLIANCE SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Denise C. Williams, CPA, CSEP
Kimberly W. Jackson, CPA*

Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

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

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

To the Town Council
Town of Charlotte Court House, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Charlotte Court House, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Charlotte Court House, Virginia's basic financial statements and have issued our report thereon dated May 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Charlotte Court House, 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 Charlotte Court House, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Charlotte Court House, Virginia's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive, flowing script.

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

South Hill, Virginia
May 20, 2020