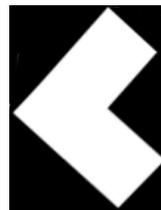


Town of Lawrenceville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2016



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

Town of Lawrenceville, Virginia

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FINANCIAL SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., 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 Lawrenceville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Lawrenceville, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Lawrenceville, 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, the discretely presented component unit, and each major fund of the Town of Lawrenceville, Virginia, as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 11 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplementary information on pages 54 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lawrenceville, Virginia's basic financial statements. The combining nonmajor fund financial statements and component unit statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and component unit statements 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 combining nonmajor fund financial statements and component unit statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information 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 February 8, 2017, on our consideration of the Town of Lawrenceville, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lawrenceville, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Lawrenceville, Virginia presents the following discussion and analysis as an overview of the Town of Lawrenceville, Virginia's financial activities for the fiscal year ending June 30, 2016. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

MANAGER'S STATEMENT

The total net position of the Town of Lawrenceville, Virginia, increased by \$712,751 from \$17,682,038 at June 30, 2015 to \$18,394,789 at June 30, 2016. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, net position, can be used as one way to measure the Town's financial health, or financial condition. Over time, increases or decreases in the total net position can be one indicator of whether the Town's financial condition is improving or deteriorating.

While we are pleased with the Town's increase in total net position during fiscal year 2016, some of the increase was due to Dominion Power paying a portion of their water connection fee in the amount of \$250,000 upon completion of the expansion of the water plant. The sales tax that the Town collects fell to levels that were more historically true than the increased levels that were unforeseen due to the project at DVP and their sales tax being credited to the Town and County in previous years. The Town also received grant proceeds from the Tobacco Indemnification and Community Revitalization Commission in the amount of \$21,753 for engineering for the expansion of the Wastewater Treatment Plant. The Town received \$59,454 in CDBG funding for the Downtown area. In addition, \$761,727 was needed to make principal debt repayments that the Town was obligated to pay during fiscal year 2016. While the reduction in debt is reflected as an increase in net position, the fact is that the Town is obligated to make these principal payments and must generate sufficient cash to meet these debt obligations. The Town is scheduled to reduce debt principal by \$750,431 during fiscal year 2017. During prior years, the Town did borrow \$6,781,000 to fund a debt restructuring and to complete the funding for the Downtown Project, the water plant upgrade for Dominion Power, and the water line associated with the Dominion Power Project and the repayment began in FY 2016.

The total borrowed debt obligation that the Town had as of June 30, 2016 was \$7,153,957 as compared to \$7,915,684 on June 30, 2015. The Town borrowed a significant amount of money during FY 2014 to complete the construction of several projects that were undertaken. The Town of Lawrenceville began to pay off Bond Series C beginning in FY 2015 and to complete the payoff in FY 2020. This payoff period should coincide with the beginning of the Dominion Power Generating commercial operation. If the usage numbers provided by Dominion are correct, the Town will have no trouble covering the debt service for the life of the loan. The Dominion Power Generation Station went to commercial operation during April 2016.

Other debts owed by the Town as of June 30, 2016 include: a 1999 bond used to expand and upgrade the water plant with a balance of \$347,488 as of June 30, 2016; the bonds dated 2002 (refinanced in 2010) for water and sewer improvement projects to correct I & I problems and other maintenance issues with a balance due of \$640,000 for the improvements as of June 30, 2016.

Depreciation expense amounted to \$616,459 for fiscal year 2016. While depreciation is a non-cash expense, it recognizes the reduction in value of the Town's capital assets as these assets age. Over time, depreciation expense might approximate the capital expenditures required to maintain the current infrastructure. Capital expenditures totaled \$1,335,342 during FY 2016 and occurred as the water plant was expanded, waterline work was completed, and the Old Southern States building stabilization was completed. Other capital expenditures included \$74,888.24 for the purchase of water meters for the Alberta area customers of the system so that all meters are the same brand now, \$10,632.00 for a replacement of the handheld meter reader, and \$8,663.38 for replacement brass fittings that were NSA compliant for the distribution system.

Other capital projects remained limited during the year due to the Dominion Virginia Power Generating Station that was approved by all agencies in August 2013, and all Town efforts were focused on completing the water plant and line expansions that will be needed for this project. Town Council had not increased water and sewer rates since July 1, 2010, taking a wait and see attitude with the addition of the Alberta system and the Dominion Power Plant usage. This trend of not increasing rates was halted as utilities rates were advertised to be increased. After a public hearing, Town Council voted to increase the rates effective July 1, 2016.

Water and sewer revenues accounted for almost two-thirds of total Town revenues (67%) in fiscal year 2016, excluding proceeds from grants. During fiscal year 2016, \$144,527 was transferred from the Water and Sewer fund to the General fund. However, many expenses included in the General fund, particularly payroll expenses, involve time dedicated to water and sewer issues.

In December of 2009, Brunswick County and the Brunswick County Industrial Development Authority approached the Town about forming an authority for water and sewer to serve the Meherrin River Regional Jail that was going to be located in Alberta off Highway 1 and Interstate 85. After several months of negotiations, the Town agreed to provide water and sewer to the proposed Meherrin River Regional Jail. The Town, County, IDA, and the MRRJA signed agreements on May 30, 2010, to provide the treatment of water and wastewater in the amount of 100,000 gallons per day. The Town is now responsible for the maintenance of the new utility lines installed to service the facility, but the Brunswick County IDA still owns the lines. The discharge point for the sewer into the Town's system, while not the optimum choice to utilize the recent investment to upsize collection lines, can currently handle the proposed flow from the Regional Jail. The Town's system will not be able to handle amounts more than what has been agreed to without studies from an engineer. The Town began to realize revenue from this project as the MRRJA opened in July 2012. The actual flows of water and wastewater are 23,951 gallons per day, which is less than one-half of the projected flow amounts based on the information provided to the Town from the IDA's engineering consultants. At the Meherrin River Regional Jail, the addition of a 250,000 gallon water storage tank increased the likelihood of Disinfection Byproducts. Testing on the IDA north water system will give results in the coming years. Should this be an issue, it will have to be addressed in the future.

On February 20, 2013, Brunswick County, the County IDA, and the Town of Lawrenceville signed an agreement to allow the Alberta Collection system to connect to the MRRJA pump station for treatment of wastewater at the Town of Lawrenceville wastewater treatment plant. In March 2013, the Town of Alberta applied for CDBG funding to correct I & I issues and other water issues within their system. On June 10, 2013, the Town of Lawrenceville and the Town of Alberta signed an agreement for Lawrenceville to assume the ownership, operation, and maintenance of the Alberta systems. At the end of June 2013, the State notified the Town of Alberta that the grant would be funded. During FY 2014, Alberta was connected to the MRRJA sewer pump station utilizing the grant funding. I & I correction work began and was completed, in FY 2015 utilizing the grant funding with Lawrenceville supplying some of the match money. The engineers have shown that this work corrected significant I & I issues on the Alberta collection system.

Dominion Virginia Power announced in February 2012 that they would be constructing a 1358 Megawatt gas fired generating station just east of Lawrenceville. The anticipated water usage will range from 250,000 to 1,200,000 gallons per day. The sewer flow is anticipated to be 20% of the water flow. The contract negotiations for the water and sewer services to the generating plant were completed August 30, 2012. Dominion Power is paying, in installments, the connection fee of \$4,000,000 for the water connection and \$2,250,000 for the wastewater connection. The Town received the last payment for these connections during FY 2016 in the amount of \$250,000 for the final payment on the water connection at the water plant expansion job closeout. The Town did realize some revenue from the Dominion Project as water and sewer usage during FY 2016, but usage was sporadic as the plant began testing and then commercial operation began in the late April of 2016. The Town realized \$336,160 from the Dominion water and sewerage usage fees during FY 2016. During FY 2016, the Town completed the paperwork associated with the construction of the water plant expansion and related line work. The Town completed the closeout payment for \$62,832.81. The Town also was able to secure a planning grant from VDH

in the amount of \$33,000 to study disinfection byproducts within the three systems, with Lawrenceville supplying \$2,000. The Town interviewed engineering firms and selected Hurt & Proffitt to conduct the study. Also related to this, previously the Town was successful in obtaining a Tobacco Indemnification and Community Revitalization grant for the engineering and specification development for an expansion of the wastewater treatment plant. The TIGR grant totals \$483,400, of which \$435,060 is grant funding and \$48,340 is Town funding. In FY 2016, the Town expended \$21,753.00 of the Tobacco Grant as the engineering work was continuing. The Town's grant for the Downtown project utilized \$67,154.64 in grant funding to continue the façade work on businesses within the Downtown Business District.

The Town has been able to sustain low utility rates by having several large users on the system that are able to fund a large portion of the Town's fixed operating costs. However, with the closing of several businesses, a significant revenue loss was realized by the Town which resulted in the need to increase the rates charged for water and sewer usage. The Town Council voted to raise the water and sewer rates to all customers with an effective date of July 1, 2016. The approximate 10% rate increase did not affect the FY 2016 budget, but the public hearings and ordinance change occurred during FY 2016. The last rate increase was July of 2010. The Town of Lawrenceville assumed the assets and liabilities of the Town of Alberta's water and sewer infrastructure on July 1, 2014. The Town also changed the water and sewer user ordinances to begin monthly utility billing beginning July 1, 2014. Public Works has been evaluating the Alberta Distribution and collection system to find improvements. One of the greatest improvements that Public Works completed was changing the meters on the Alberta distribution system to the same brand that is used in Lawrenceville. This change eliminated the need for two different meter reading software, equipment, and licenses.

Future anticipated projects and needs include: upgrading the water line to the Alberta pump station in order to deliver 500 gpm to the Alberta and interstate area; water line extensions along Lawrenceville Hills, Blueberry Court, Rose Drive, and Poorhouse Road; replacing the thirty fire hydrants that are not in compliance with the Lawrenceville standard; upgrade the wastewater treatment plant to have more capacity than the water plant; upgrade aging vehicle fleet in the Public Works departments; purchase several real estate properties that are key to Town improvements; fund a full-time code enforcement official position; plans to turn the old shop into a place for a rest stop for the Rails to Trails; developing the old Turntable area into a park after purchasing the property from Norfolk and Southern Railroad; resolution to the recent testing of the IDA North and Town of Alberta water systems that indicate an issue with TTHMs and HAA5s; and other possible water and sewer problems that may surface as a result of the aging infrastructure in the ground.

The Town has successfully funded many projects over a period of years and has been successful at expanding the utility system through grants and connection fees without having to increase rates to support the expansion and, in part, due to the large water and sewer users on the system. With the greater growth potential around the southern end of the County, the Town should strategically plan how to expand into that market with the least impact on the current consumers.

The Town employs 27 full-time and 4 part-time people. Of the part-time employees, one works at the Town office, two are in the Public Works department, and one cleans the Town office and Public Works building. We are grateful for the dedication, knowledge, and hard work that these people devote to our Town. The Town has an aging workforce that is approaching retirement age. In the coming years, the Town will face the replacement of key people within the workforce. The upcoming budgets should include more training funds and more travel expenses.

The Town's management desires to maintain rates and fees at levels that provide needed services to Town citizens and other users at a good value while at the same time keeping rates and fees at sufficient levels to maintain the financial health of the Town and to provide funds to properly maintain the Town's infrastructure.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town, excluding its Component Unit, exceeded its liabilities and deferred inflows of resources by \$18,394,789. Of this amount, there is an unrestricted deficit balance of \$(2,774,711).
- For the fiscal year, general and program revenues net of transfers of the Town's governmental activities were \$1,426,493 and expenses amounted to \$1,412,948. The Town's total governmental net position increased \$13,545.
- For business-type activities, revenues and net transfers were \$2,835,499 and expenses were \$2,136,293. The net position increased by \$699,206.

Highlights for Fund Financial Statements

- As of June 30, 2016, the Town's Governmental Funds reported a combined fund balance deficit of \$(2,156,764) a decrease of \$252,743 in comparison with the prior year.
- The General Fund reported a deficit fund balance of \$(2,228,661), a decrease of \$254,185 from June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government -Wide Financial Statements

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

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

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

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

Furthermore, the government-wide financial statements include a legally separate entity, the Economic Development Authority of the Town of Lawrenceville, Virginia, for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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 while all others are combined into a single aggregated presentation.

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 and Special Revenue Cemetery Fund, both of which are considered to be major funds.

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

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 and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the Town's other postemployment benefits as required supplementary information. The Town has elected to include this information within the notes to the basic financial statements.

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, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets						
Current and other assets	\$ 227,635	\$ 110,740	\$ 5,824,285	\$ 6,422,345	\$ 6,051,920	\$ 6,533,085
Capital assets (net)	2,998,731	2,838,697	19,594,446	19,071,078	22,593,177	21,909,775
Deferred Outflows of Resources	<u>67,714</u>	<u>55,043</u>	<u>55,245</u>	<u>44,782</u>	<u>122,959</u>	<u>99,825</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,294,080</u>	<u>\$ 3,004,480</u>	<u>\$ 25,473,976</u>	<u>\$ 25,538,205</u>	<u>\$ 28,768,056</u>	<u>\$ 28,542,685</u>
Liabilities						
Other liabilities	\$ 2,384,517	\$ 2,002,835	\$ 747,119	\$ 755,376	\$ 3,131,636	\$ 2,758,211
Long-term liabilities	<u>611,584</u>	<u>643,573</u>	<u>6,566,484</u>	<u>7,274,746</u>	<u>7,178,068</u>	<u>7,918,319</u>
Total Liabilities	2,996,101	2,646,408	7,313,603	8,030,122	10,309,704	10,676,530
Deferred Inflows of Resources						
Deferred inflows - pension liability	44,411	101,246	35,457	82,373	79,868	183,619
Deferred inflows - property taxes	281	498	-	-	281	498
Net Position						
Net investment in capital assets	2,827,150	2,597,286	12,612,070	11,396,805	15,439,220	13,994,091
Restricted	-	70,455	5,730,280	6,335,050	5,730,280	6,405,505
Unrestricted (deficit)	<u>(2,557,277)</u>	<u>(2,411,413)</u>	<u>(217,434)</u>	<u>(306,145)</u>	<u>(2,774,711)</u>	<u>(2,717,558)</u>
Total Net Position	<u>269,873</u>	<u>256,328</u>	<u>18,124,916</u>	<u>17,425,710</u>	<u>18,394,789</u>	<u>17,682,038</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,310,666</u>	<u>\$ 3,004,480</u>	<u>\$ 25,473,976</u>	<u>\$ 25,538,205</u>	<u>\$ 28,784,642</u>	<u>\$ 28,542,685</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, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for services	\$ 145,134	\$ 152,696	\$ 2,864,900	\$ 5,541,373	\$ 3,010,034	\$ 5,694,069
Operating grants and contributions	159,880	573,350	102,700	351,996	262,580	925,346
General Revenues						
General property taxes, real and personal	244,489	219,665	-	-	244,489	219,665
Other taxes	451,850	604,435	-	-	451,850	604,435
Noncategorical aid from state	7	10	-	-	7	10
Use of property	22,730	25,292	-	-	22,730	25,292
Investment earnings	37	914	12,426	13,152	12,463	14,066
Miscellaneous	257,839	96,797	-	-	257,839	96,797
Transfers	<u>144,527</u>	<u>327,140</u>	<u>(144,527)</u>	<u>(327,140)</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<u>1,426,493</u>	<u>2,000,299</u>	<u>2,835,499</u>	<u>5,579,381</u>	<u>4,261,992</u>	<u>7,579,680</u>
Expenses						
General government administration	340,076	300,888	-	-	340,076	300,888
Public safety	441,274	722,994	-	-	441,274	722,994
Public works	416,022	391,220	-	-	416,022	391,220
Community development	206,648	37,216	-	-	206,648	37,216
Water and sewer	-	-	2,136,293	2,029,253	2,136,293	2,029,253
Interest on long-term debt	8,928	15,615	-	-	8,928	15,615
Total Expenses	<u>1,412,948</u>	<u>1,467,933</u>	<u>2,136,293</u>	<u>2,029,253</u>	<u>3,549,241</u>	<u>3,497,186</u>
Increase in Net Position	13,545	532,366	699,206	3,550,128	712,751	4,082,494
Beginning Net Position (Deficit)	256,328	(276,038)	17,425,710	12,020,673	17,682,038	11,744,635
Non-Cash Capital Contributions	-	-	-	1,854,909	-	1,854,909
Ending Net Position	<u>\$ 269,873</u>	<u>\$ 256,328</u>	<u>\$ 18,124,916</u>	<u>\$ 17,425,710</u>	<u>\$ 18,394,789</u>	<u>\$ 17,682,038</u>

Governmental activities increased the Town's net position by \$13,545 for fiscal year 2016. Revenues and net transfers from governmental activities totaled \$1,426,493. Taxes comprise the largest source of these revenues, totaling \$696,339 or 49 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,412,948. Public safety was the Town's largest program with expenses totaling \$441,274. Public works, which totals \$416,022, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>		<u>2015</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	\$ 340,076	\$ (260,299)	\$ 300,888	\$ (222,712)
Public safety	441,274	(280,063)	722,994	(508,190)
Public works	416,022	(414,951)	391,220	(390,161)
Community development	206,648	(143,693)	37,216	394,791
Interest on long-term debt	<u>8,928</u>	<u>(8,928)</u>	<u>15,615</u>	<u>(15,615)</u>
Total	<u>\$ 1,412,948</u>	<u>\$ (1,107,934)</u>	<u>\$1,467,933</u>	<u>\$ (741,887)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2016, the Town's Governmental Funds reported a combined ending fund balance deficit of \$(2,156,764).

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 deficit of \$(2,228,661). The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents -74.97 percent of total fund expenditures.

- The Water and Sewer Fund contributed \$144,527 in operating funds to finance the General Fund operations.
- The Cemetery Fund had an assigned fund balance of \$71,897 at June 30, 2016.

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, 2016 and 2015

	<u>Original</u>	<u>2016</u> <u>Final</u>	<u>Actual</u>	<u>Original</u>	<u>2015</u> <u>Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	<u>Budget</u>	
Revenues						
Taxes	\$ 245,000	\$ 245,000	\$ 239,730	\$ 235,000	\$ 235,000	\$ 227,063
Other	822,000	822,000	872,473	1,245,383	1,245,383	879,292
Intergovernmental	<u>334,966</u>	<u>334,966</u>	<u>159,887</u>	<u>657,283</u>	<u>657,283</u>	<u>573,360</u>
Total Revenues	1,401,966	1,401,966	1,272,090	2,137,666	2,137,666	1,679,715
Expenditures	<u>1,918,296</u>	<u>1,918,296</u>	<u>1,670,802</u>	<u>2,584,464</u>	<u>2,584,464</u>	<u>2,299,280</u>
Excess (Deficiency) of Revenues over Expenditures	(516,330)	(516,330)	(398,712)	(446,798)	(446,798)	(619,565)
Other Financing Sources (Uses)						
Contingency/surplus	516,330	516,330	-	-	-	40,600
Transfers in	-	-	<u>144,527</u>	-	-	<u>327,140</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (254,185)</u>	<u>\$ (446,798)</u>	<u>\$ (446,798)</u>	<u>\$ (251,825)</u>

Actual revenues were less than final budget amounts by \$129,876, or 9.26 percent, while actual expenditures were \$247,494, or 12.90 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2016, the Town's net investment in capital assets, which is net capital assets less related debt totals \$2,827,150 for governmental activities and \$12,612,070 for business-type activities.

During fiscal year 2016, the Town's net capital assets (including additions, decreases, and depreciation) increased \$160,034, or 5.64 percent, for governmental activities and increased \$523,368, or 2.74 percent, for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2015</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Land and land improvements	\$ 1,193,390	\$ -	\$ 1,193,390
Buildings and improvements	751,677	252,985	1,004,662
Infrastructure - streets, sidewalks, and systems	1,057,357	-	1,057,357
Furniture, equipment, and vehicles	<u>2,158,913</u>	<u>34,279</u>	<u>2,193,192</u>
Total Capital Assets	5,161,337	287,264	5,448,601
Less: Accumulated depreciation and amortization	<u>(2,322,640)</u>	<u>(127,230)</u>	<u>(2,449,870)</u>
Net Capital Assets	<u>\$ 2,838,697</u>	<u>\$ 160,034</u>	<u>\$ 2,998,731</u>

Business-Type Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 12,535	\$ -	\$ 12,535
Buildings and infrastructure systems	23,384,972	1,002,597	24,387,569
Furniture, equipment, and vehicles	<u>765,349</u>	<u>-</u>	<u>765,349</u>
Total Capital Assets	24,162,856	1,002,597	25,165,453
Less: Accumulated depreciation and amortization	<u>(5,091,778)</u>	<u>(479,229)</u>	<u>(5,571,007)</u>
Net Capital Assets	<u>\$ 19,071,078</u>	<u>\$ 523,368</u>	<u>\$ 19,594,446</u>

Component Unit EDA

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 70,800	\$ -	\$ 70,800
Buildings	287,595	31,601	319,196
Work-in-process	<u>17,199</u>	<u>-</u>	<u>17,199</u>
Total Capital Assets	375,594	31,601	407,195
Less: Accumulated depreciation	<u>4,705</u>	<u>8,308</u>	<u>13,013</u>
Net Capital Assets	<u>\$ 370,889</u>	<u>\$ 23,293</u>	<u>\$ 394,182</u>

Long-Term Debt

As of June 30, 2016, the Town's long-term obligations, excluding the Component Unit, total \$7,399,615.

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities			
Long-term debt	\$ 241,411	\$ (69,830)	\$ 171,581
Compensated absences	<u>174,249</u>	<u>(4,336)</u>	<u>169,913</u>
Total Governmental Activities	415,660	(74,166)	341,494
Business-Type Activities			
Long-term debt	7,674,273	(691,897)	6,982,376
Compensated absences	<u>105,917</u>	<u>(30,172)</u>	<u>75,745</u>
Total Business-Type Activities	<u>7,780,190</u>	<u>(722,069)</u>	<u>7,058,121</u>
Total Debt - All Funds	<u>\$ 8,195,850</u>	<u>\$ (796,235)</u>	<u>\$ 7,399,615</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Lawrenceville, Virginia, which uses Brunswick County's rate, in June 2016, was 5.8 percent. This compares unfavorably to the state's rate of 4.0 percent and the national rate of 5.1 percent.
- According to the 2010 U.S. Census, the population in the Town of Lawrenceville, Virginia was 1,438.
- The per capita income in the Town of Lawrenceville, Virginia was \$12,519 +/- \$2,275, compared to \$17,376, +/- \$1,548 for the County of Brunswick and \$31,606 +/- \$124 for the state of Virginia, according to the 2010 U.S. Census data.

The fiscal year 2017 adopted budget anticipates General Fund revenues and expenditures to be \$972,966, a 49 percent decrease over the fiscal year 2016 budget.

The fiscal year 2017 adopted budget anticipates water and sewer revenue to be \$3,396,451, a 12 percent increase over the fiscal year 2016 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to C. J. Dean, Town Manager, Town of Lawrenceville, Virginia, 400 N. Main Street, Lawrenceville, Virginia 23868, telephone 434-848-2414, or visit the Town's website at www.lawrencevilleweb.com.

BASIC FINANCIAL STATEMENTS

Town of Lawrenceville, Virginia

Statement of Net Position

At June 30, 2016

	<u>Primary Government</u>			<u>Component Unit EDA</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash and cash equivalents - unrestricted	\$ 207,872	\$ -	\$ 207,872	\$ 17,028
Cash - restricted	-	5,730,280	5,730,280	-
Property taxes receivable, net	16,586	-	16,586	-
Other receivables	19,763	-	19,763	500
Receivables, net	-	94,005	94,005	-
Capital Assets				
Capital assets, not depreciated	1,193,390	12,535	1,205,925	87,999
Other capital assets, net of accumulated depreciation	<u>1,805,341</u>	<u>19,581,911</u>	<u>21,387,252</u>	<u>306,183</u>
Capital Assets, Net	2,998,731	19,594,446	22,593,177	394,182
Deferred Outflows of Resources				
Deferred outflows - pension liability	<u>67,714</u>	<u>55,245</u>	<u>122,959</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,310,666</u>	<u>\$ 25,473,976</u>	<u>\$ 28,784,642</u>	<u>\$ 411,710</u>
Liabilities				
Accounts payable and accrued expenses	\$ 27,526	\$ 4,012	\$ 31,538	\$ 1,234
Due to other funds	2,356,991	31,226	2,388,217	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	38,550	711,881	750,431	-
<i>Due in more than one year</i>				
Compensated absences	169,913	75,745	245,658	-
Net pension liability	270,090	220,244	490,334	-
Bonds, loans, and capital leases payable	<u>133,031</u>	<u>6,270,495</u>	<u>6,403,526</u>	<u>-</u>
Total Liabilities	2,996,101	7,313,603	10,309,704	1,234
Deferred Inflows of Resources				
Deferred inflows - pension liability	44,411	35,457	79,868	-
Deferred inflows - property taxes	281	-	281	-
Net Position				
Net investment in capital assets	2,827,150	12,612,070	15,439,220	394,182
Restricted for capital projects	-	5,730,280	5,730,280	-
Unrestricted (deficit)	<u>(2,557,277)</u>	<u>(217,434)</u>	<u>(2,774,711)</u>	<u>16,294</u>
Total Net Position	<u>269,873</u>	<u>18,124,916</u>	<u>18,394,789</u>	<u>410,476</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,310,666</u>	<u>\$ 25,473,976</u>	<u>\$ 28,784,642</u>	<u>\$ 411,710</u>

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

Town of Lawrenceville, Virginia

Statement of Activities

For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit EDA
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government administration	\$ 340,076	\$ 79,777	\$ -	\$ -	\$ (260,299)	\$ -	\$ (260,299)	
Public safety	441,274	65,357	95,854	-	(280,063)	-	(280,063)	
Public works	416,022	-	1,071	-	(414,951)	-	(414,951)	
Community development	206,648	-	62,955	-	(143,693)	-	(143,693)	
Debt service	8,928	-	-	-	(8,928)	-	(8,928)	
Total Governmental Activities	1,412,948	145,134	159,880	-	(1,107,934)	-	(1,107,934)	
Business-Type Activities								
Proprietary funds - Water and Sewer	2,136,293	2,864,900	102,700	-	-	831,307	831,307	
Total Business-Type Activities	2,136,293	2,864,900	102,700	-	-	831,307	831,307	
Total Primary Government	\$ 3,549,241	\$ 3,010,034	\$ 262,580	\$ -			(276,627)	
Component Unit								
EDA	\$ 13,817	\$ -	\$ 31,689	\$ -				\$ 17,872
General Revenues								
Taxes								
General property taxes, real and personal					244,489	-	244,489	-
Other local taxes					451,850	-	451,850	-
Noncategorical aid from state					7	-	7	-
Use of property					22,730	-	22,730	-
Investment earnings					37	12,426	12,463	-
Miscellaneous					257,839	-	257,839	-
Transfers					144,527	(144,527)	-	-
Total General Revenues and Transfers					1,121,479	(132,101)	989,378	-
Change in Net Position					13,545	699,206	712,751	17,872
Net Position - Beginning of Year					256,328	17,425,710	17,682,038	392,604
Net Position - End of Year					\$ 269,873	\$ 18,124,916	\$ 18,394,789	\$ 410,476

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

Town of Lawrenceville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 135,975	\$ 71,897	\$ 207,872
Property taxes receivable, net	16,586	-	16,586
Other receivables	<u>19,763</u>	<u>-</u>	<u>19,763</u>
Total Assets	<u>\$ 172,324</u>	<u>\$ 71,897</u>	<u>\$ 244,221</u>
Liabilities			
Accounts payable	\$ 108	\$ -	\$ 108
Accrued liabilities	27,019	-	27,019
Due to other funds	<u>2,356,991</u>	<u>-</u>	<u>2,356,991</u>
Total Liabilities	2,384,118	-	2,384,118
Deferred Inflows of Resources			
Unavailable revenue	<u>16,867</u>	<u>-</u>	<u>16,867</u>
Total Deferred Inflows of Resources	16,867	-	16,867
Fund Balance (Deficit)			
Assigned fund balance	-	71,897	71,897
Unassigned fund balance (deficit)	<u>(2,228,661)</u>	<u>-</u>	<u>(2,228,661)</u>
Total Fund Balance (Deficit)	<u>(2,228,661)</u>	<u>71,897</u>	<u>(2,156,764)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	<u>\$ 172,324</u>	<u>\$ 71,897</u>	<u>\$ 244,221</u>

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

Town of Lawrenceville, Virginia

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

At June 30, 2016

Total Fund Balances for Governmental Funds		\$ (2,156,764)
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	\$ 1,193,390	
Infrastructure - streets, sidewalks, systems	956,624	
Buildings and improvements, net of accumulated depreciation	631,561	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>217,156</u>	
Total Capital Assets		2,998,731
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue		16,187
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	67,714	
Deferred inflows of resources related to pensions	<u>(44,411)</u>	
Total Deferred Outflows and Inflows of Resources		23,303
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Long-term liabilities, including bonds payable	(171,581)	
Net pension liability	(270,090)	
Compensated absences	<u>(169,913)</u>	
Total		<u>(611,584)</u>
Total Net Position of Governmental Activities		<u>\$ 269,873</u>

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

Town of Lawrenceville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Governmental Funds

Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 239,730	\$ -	\$ 239,730
Other local taxes	451,850	-	451,850
Fines and forfeitures	65,357	-	65,357
Use of money and property	17,650	5,117	22,767
Charges for services	79,777	-	79,777
Miscellaneous	257,839	-	257,839
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	42,241	-	42,241
Revenue from the Federal Government	<u>117,646</u>	<u>-</u>	<u>117,646</u>
Total Revenues	1,272,090	5,117	1,277,207
Expenditures			
Current			
General government administration	297,107	-	297,107
Public safety	666,784	-	666,784
Public works	425,180	-	425,180
Community development	202,973	3,675	206,648
Debt service	<u>78,758</u>	<u>-</u>	<u>78,758</u>
Total Expenditures	<u>1,670,802</u>	<u>3,675</u>	<u>1,674,477</u>
Excess (Deficiency) of Revenues Over Expenditures	(398,712)	1,442	(397,270)
Other Financing Sources (Uses)			
Proceeds from debt	-	-	-
Transfers	<u>144,527</u>	<u>-</u>	<u>144,527</u>
Total Other Financing Sources (Uses)	<u>144,527</u>	<u>-</u>	<u>144,527</u>
Net Change in Fund Balance	(254,185)	1,442	(252,743)
Fund Balance (Deficit) - Beginning of Year	<u>(1,974,476)</u>	<u>70,455</u>	<u>(1,904,021)</u>
Fund Balance (Deficit) - End of Year	<u>\$ (2,228,661)</u>	<u>\$ 71,897</u>	<u>\$ (2,156,764)</u>

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

Town of Lawrenceville, 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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (252,743)

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. This is the amount by which capital outlays exceeded depreciation expense in the current period.

160,034

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.

(4,759)

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Repayments on debt	\$ 69,830	
Proceeds on debt	<u> -</u>	
Net Adjustment		69,830

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	59,723	
Cost of benefits earned net of employee contributions	<u>(22,876)</u>	
		36,847

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Compensated absences	<u>4,336</u>	
Net Adjustment		<u>4,336</u>

Change in Net Position of Governmental Activities \$ 13,545

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

Town of Lawrenceville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2016

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

Assets**Current Assets**

Cash and investments	\$ 5,730,280
Receivables, net	<u>94,005</u>
Total Current Assets	5,824,285

Noncurrent Assets

Other capital assets, net of accumulated depreciation	<u>19,594,446</u>
Total Noncurrent Assets	19,594,446

Deferred Outflows of Resources

Deferred outflows - pension liability	<u>55,245</u>
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Total Assets and Deferred Outflows of Resources	<u>\$ 25,473,976</u>
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Liabilities**Current Liabilities**

Accounts payable and accrued expenses	\$ 4,012
Short-term portion of debt	<u>711,881</u>
Total Current Liabilities	715,893

Noncurrent Liabilities

Customer deposits	31,226
Compensated absences	75,745
Net pension liability	220,244
Long-term debt	<u>6,270,495</u>
Total Noncurrent Liabilities	<u>6,597,710</u>

Total Liabilities	7,313,603
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Deferred Inflows of Resources

Deferred inflows - pension liability	35,457
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Net Position

Net investment in capital assets	12,612,070
Restricted	5,730,280
Unrestricted	<u>(217,434)</u>
Total Net Position	<u>18,124,916</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 25,473,976</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Lawrenceville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2016

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

Operating Revenues

Charges for services, net	\$ 2,572,508
Dominion project	250,000
Miscellaneous	<u>42,392</u>
Total Operating Revenues	2,864,900

Operating Expenses

Salaries and wages	464,328
Fringe benefits	113,171
Fees and permits	56,791
Repairs and maintenance	99,536
Materials and supplies	317,833
Utilities and telephone	196,604
Insurance	78,229
Other miscellaneous expenses	27,192
Depreciation	<u>479,229</u>
Total Operating Expenses	<u>1,832,913</u>

Operating Income	1,031,987
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Nonoperating Revenues (Expenses)

Interest income	12,426
IDA reimbursements	102,700
Interest expense	<u>(303,380)</u>
Total Nonoperating Revenues (Expenses)	<u>(188,254)</u>

Income Before Transfers	843,733
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Transfers In (Out)	<u>(144,527)</u>
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Change in Net Position	699,206
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Total Net Position - Beginning of Year	<u>17,425,710</u>
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Total Net Position - End of Year	<u><u>\$ 18,124,916</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Lawrenceville, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,566,918
Other receipts	292,392
Payments to personnel and suppliers	<u>(1,342,974)</u>
Net Cash Provided by Operating Activities	1,516,336
Cash Flows from Noncapital Financing Activities	
Funds from (paid to) other funds	(144,527)
Reimbursements	<u>102,700</u>
Net Cash Used in Noncapital Financing Activities	(41,827)
Cash Flows from Capital and Related Financing Activities	
Repayment of long-term debt - principal	(751,776)
Repayment of long-term debt - interest	(303,380)
Water and sewer capital expenditures - net capital contributed	<u>(1,036,549)</u>
Net Cash Used in Capital and Related Financing Activities	(2,091,705)
Cash Flows from Investing Activities	
Interest income	<u>12,426</u>
Net Cash Provided by Investing Activities	<u>12,426</u>
Net Decrease in Cash and Cash Equivalents	(604,770)
Cash and Cash Equivalents - Beginning of Year	<u>6,335,050</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,730,280</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 1,031,987
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation expense	479,229
<i>Changes in assets and liabilities</i>	
Receivables, net	(6,710)
Compensated absences	(30,172)
Deferred outflows - pension liability	(10,463)
Net pension liability	34,817
Deferred inflows - pension liability	46,916
Accounts payable and accrued expenses	(30,388)
Customer deposits	<u>1,120</u>
Net Cash Provided by Operating Activities	<u>\$ 1,516,336</u>

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

Town of Lawrenceville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2016

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Lawrenceville, Virginia (the "Town"), which was founded in 1814, has a population of approximately 1,438 living within an area of 1.142 square miles. The Town is the County Seat of Brunswick County, Virginia. The Town is governed by a Town Manager and a seven-member Town Council with each serving administrative and legislative functions.

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

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

1-A. *Financial Reporting Entity*

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Lawrenceville, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Individual Component Unit Disclosures

Discretely Presented Component Unit

Economic Development Authority of the Town of Lawrenceville, Virginia

A seven-member board appointed by the Town Council of the Town of Lawrenceville, Virginia governs the Authority. The directors are to serve staggered terms of one to four years each.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. The Authority may retain liability under the bonds or it may be assumed by the enterprise for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

1-B. Financial Reporting Model

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required and other 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. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. 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 fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town and its discretely presented component unit 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, proprietary, and fiduciary funds.

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

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

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

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

1-C. Financial Statement Presentation

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

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

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

§ Cemetery Fund – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.

- *Capital Projects Funds* – The Capital Projects Fund consists of the CDBG Fund which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has 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. The Town has no Agency Funds at this time.
- *Component Unit (Economic Development Authority of the Town of Lawrenceville, Virginia)*

The Economic Development Authority of the Town of Lawrenceville, Virginia has the following fund:

Proprietary Fund – This fund has an unrestricted net position of \$16,294.

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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

1-E-1 Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$9,002 at June 30 for property taxes.

General Fund - taxes receivable \$ 9,002

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	January 1	January 1
Due Date	January 5	January 5
Lien Date	January 5	January 5

The Town bills and collects its own property taxes.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes on the 6th of each month, beginning on January 6.

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 non-spendable 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 roads and bridges. 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, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 to 40 years
Furniture, machinery, and equipment (includes vehicles)	7 to 20 years
Infrastructure	60 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

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, and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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 total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

1-E-8 Pensions

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

1-E-9 Other Postemployment Benefits Plans

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to the financial statements present required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

1-E-10 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-11 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 or utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as non-operating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-12 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-13 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-14 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.

1-E-14 Adoption of New GASB Statements

During the fiscal year ended June 30, 2016, the Town adopted the following GASB statements:

- Statement No. 72, "Fair Value Measurement and Application"
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"
- Statement No. 77, "Tax Abatement Disclosures"

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

2 **Stewardship, Compliance, and Accountability**

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government and Component Unit. All appropriations are legally controlled at the department level for the primary Government Funds. The Component Unit appropriation is determined by the Town Council and controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Manager 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 and component units.
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

The Cemetery Fund had expenses in excess of appropriations.

Fund Deficits

The General Fund had a fund balance deficit of \$(2,228,661) at the end of the year.

The business-type activities had an unrestricted net position deficit of \$(217,435).

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.

Interest Rate Risk

Through its investment policy, the Town manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio. As of June 30, investments held in the portfolio can be liquidated daily.

Concentration of Credit Risk

The Town places no limit on the amount the Treasurer may invest in any one issuer. More than 5 percent of the Town's investments are in a repurchase agreement with a financial institution. This investment is 100 percent of the Town's total cash and investments.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2016</u>
Petty cash	\$ 200
Deposit accounts	<u>5,937,952</u>
Total Cash and Cash Equivalents	<u>\$ 5,938,152</u>

4 Receivables

Receivables at June 30, 2016 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities General</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
Property taxes	\$ 25,588	\$ -	\$ -
Other receivables	19,763	5,456	500
Water and sewer	<u>-</u>	<u>88,549</u>	<u>-</u>
Total	45,351	94,005	500
Allowance for uncollectibles	<u>(9,002)</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 36,349</u>	<u>\$ 94,005</u>	<u>\$ 500</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Primary Government		
General Fund		
From Enterprise Fund for operating costs and debt service	\$ -	\$ 144,527
Enterprise Fund		
To General Fund for operating costs and debt service	<u>144,527</u>	<u>-</u>
Total Transfers	<u>\$ 144,527</u>	<u>\$ 144,527</u>

6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,193,390	\$ -	\$ -	\$ 1,193,390
Total Capital Assets Not Being Depreciated	1,193,390	-	-	1,193,390
Other Capital Assets				
Buildings and improvements	751,677	252,985	-	1,004,662
Infrastructure - streets, sidewalks, systems	1,057,357	-	-	1,057,357
Furniture, equipment, and vehicles	<u>2,158,913</u>	<u>44,279</u>	<u>10,000</u>	<u>2,193,192</u>
Total Other Capital Assets	3,967,947	297,264	10,000	4,255,211
Less: Accumulated depreciation for				
Buildings and improvements	359,797	13,304	-	373,101
Infrastructure - streets, sidewalks, systems	79,498	21,235	-	100,733
Furniture, equipment, and vehicles	<u>1,883,345</u>	<u>102,691</u>	<u>10,000</u>	<u>1,976,036</u>
Total Accumulated Depreciation	<u>2,322,640</u>	<u>137,230</u>	<u>10,000</u>	<u>2,449,870</u>
Other Capital Assets, Net	<u>1,645,307</u>	<u>160,034</u>	<u>-</u>	<u>1,805,341</u>
Net Capital Assets	<u>\$ 2,838,697</u>	<u>\$ 160,034</u>	<u>\$ -</u>	<u>\$ 2,998,731</u>

Depreciation expense was allocated as follows:

General government administration	\$ 26,021
Public safety	64,297
Public works	<u>46,912</u>
Total Depreciation Expense	<u>\$ 137,230</u>

Business-Type Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 12,535	\$ -	\$ -	\$ 12,535
Total Capital Assets Not Being Depreciated	12,535	-	-	12,535
Other Capital Assets				
Buildings and infrastructure systems	23,384,972	1,038,078	35,481	24,387,569
Furniture, equipment, and vehicles	765,349	-	-	765,349
Total Other Capital Assets	24,150,321	1,038,078	35,481	25,152,918
Less: Accumulated depreciation for				
Buildings and systems	4,799,010	452,375	-	5,251,385
Furniture, equipment, and vehicles	292,768	26,854	-	319,622
Total Accumulated Depreciation	5,091,778	479,229	-	5,571,007
Other Capital Assets, Net	19,058,543	558,849	35,481	19,581,911
Net Capital Assets	<u>\$ 19,071,078</u>	<u>\$ 558,849</u>	<u>\$ 35,481</u>	<u>\$ 19,594,446</u>

Component Unit

Capital Assets Not Being Depreciated				
Land	\$ 70,800	\$ -	\$ -	\$ 70,800
Work-in-process	17,199	-	-	17,199
Total Capital Assets Not Being Depreciated	87,999	-	-	87,999
Other Capital Assets				
Buildings and improvements	287,595	31,601	-	319,196
Total Other Capital Assets	287,595	31,601	-	319,196
Less: Accumulated depreciation for				
Buildings and improvements	4,705	8,308	-	13,013
Total Accumulated Depreciation	4,705	8,308	-	13,013
Other Capital Assets, Net	282,890	23,293	-	306,183
Net Capital Assets	<u>\$ 370,889</u>	<u>\$ 23,293</u>	<u>\$ -</u>	<u>\$ 394,182</u>

7 Compensated Absences

Each Town employee earns vacation at the rate of a minimum of 4 hours per month up to 10 hours per month based on years of service. Sick leave is earned at the rate of 8 hours per month. Unused sick leave will not be paid to employees while they are employed or upon termination of employment. Accumulated vacation time is paid through the last day of work or upon termination. The Town has outstanding compensated absences totaling \$169,913 for the governmental activities and \$75,745 for the business-type activities.

8 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended <u>June 30.</u>	<u>Governmental Funds</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 38,550	\$ 6,720	\$ 711,881	\$ 240,765
2018	40,114	5,156	785,428	219,223
2019	41,741	3,528	595,178	204,052
2020	48,686	1,916	610,178	188,496
2021	2,490	-	274,711	175,871
2022 and thereafter	-	-	4,005,000	TBD
Compensated absences	<u>169,913</u>	<u>-</u>	<u>75,745</u>	<u>-</u>
Total	<u>\$ 341,494</u>	<u>\$ 17,320</u>	<u>\$ 7,058,121</u>	<u>\$ 1,028,407</u>

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Changes in Long-Term Debt

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
Note Payable to First Citizens Bank, dated March 17, 2006. Principal amount of original note is \$400,000 with interest at the rate of 4.12%, per annum, payable in fifteen annual payments of \$36,342 commencing February 17, 2007 and continuing on the same day every year thereafter until paid in full.	\$ 169,556	\$ -	\$ 27,817	\$ 141,739	\$ 30,605
Note Payable to USDA Rural Development, dated January 1, 2015. Principal amount of original note is \$40,600 with interest at the rate of 3.75%, per annum, payable in sixty monthly payments of \$744 commencing on February 27, 2015 and continuing on the same day each month thereafter until paid in full.	37,495	-	7,653	29,842	7,945
Note Payable to First Citizens Bank, dated March 17, 2006. Principal amount of original note is \$283,000 with interest at the rate of 4.60%, per annum, payable in ten annual payments of \$36,188 commencing March 17, 2007 and continuing on the same day every year thereafter until paid in full.	34,360	-	34,360	-	-
Compensated absences	<u>174,249</u>	<u>-</u>	<u>4,336</u>	<u>169,913</u>	<u>-</u>
Total Governmental Activities	415,660	-	74,166	341,494	38,550

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	<u>Balance July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Business-Type Activities					
Enterprise Funds					
Taxable Water and Sewer System Revenue Refunding Bond Series 2010. Principal amount of original issue is \$860,000 with a variable interest rate. Interest on this bond shall be payable in annual installments on each April 1 and October 1, commencing October 1, 2010. Principal shall be paid annually each October 1 until the Bond is paid in full or for seventeen years, whichever occurs first. (Refinancing of Series 2002A Bond)	685,000	-	45,000	640,000	50,000
On June 10, 2013, the Town of Lawrenceville entered into an agreement with the Town of Alberta regarding the assumption of ownership, operation, and maintenance of the water distribution line and wastewater collection line owned by Alberta. Lawrenceville agreed to assume the outstanding debt on the Alberta wastewater treatment plant with VRA Project #C-515221-02. The balance as of November 1, 2012 was \$86,510 and is payable in bi-annual payments of \$5,089 at zero percent interest.	61,066	-	10,178	50,888	10,178
Taxable Water and Sewer System Revenue Bonds, Series of 1999. Principal amount of original issue is \$1,981,000 with interest at the rate of 4.50% and shall provide for payment of interest only on the first anniversary of the closing date. Installments of combined principal and interest of \$12,956 shall be paid until the Bond is paid in full or for 240 months (20 years), whichever occurs first.	484,207	-	136,719	347,488	142,703
Taxable General Obligation Bond, Series 2014A, Taxable Utility System Revenue Bond, Series 2014B, and Taxable Revenue Refunding Bond, Series 2014C. Series 2014A and 2014B interest payments are due semi-annually on February 1 and August 1 each year, commencing August 1, 2014. Interest has been capitalized for the first year, until May 22, 2015. Principal payments are due annually on February 1, commencing February 1, 2016. The final maturity is February 1, 2034 for Series A, and February 1, 2024 for Series B. Series 2014C interest payments are due semi-annually on February 1 and August 1 each year, commencing August 1, 2014. Principal payments are due annually on August 1, commencing August 1, 2014. The final maturity for Series C is August 1, 2019.	6,444,000	-	500,000	5,944,000	509,000
Compensated absences	105,917	-	30,172	75,745	-
Total Business-Type Activities	<u>7,780,190</u>	-	<u>722,069</u>	<u>7,058,121</u>	<u>711,881</u>
Total Debt - All Funds	<u>\$ 8,195,850</u>	<u>\$ -</u>	<u>\$ 796,235</u>	<u>\$ 7,399,615</u>	<u>\$ 750,431</u>

9 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2016 is determined as follows:

	Governmental Activities	Business- Type Activities	Component Unit EDA
Net Investment in Capital Assets			
Cost of capital assets	\$ 5,448,601	\$ 25,165,453	\$ 407,195
Less: Accumulated depreciation	<u>2,449,870</u>	<u>5,571,007</u>	<u>13,013</u>
Book value	2,998,731	19,594,446	394,182
Less: Capital related debt	<u>171,581</u>	<u>6,982,376</u>	<u>-</u>
Net Investment in Capital Assets	<u><u>\$ 2,827,150</u></u>	<u><u>\$ 12,612,070</u></u>	<u><u>\$ 394,182</u></u>

10 Deferred Inflows of Resources

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

Primary Government General Fund

Delinquent taxes not collected within 60 days	\$ 16,586
Prepaid property taxes - property taxes paid in advance	<u>281</u>
Total Deferred Inflows of Resources - Governmental Funds	<u><u>\$ 16,867</u></u>

11 Risk Management

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

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

12 Commitments and Contingencies

If applicable, federal programs in which the Town and the discretely presented component unit participate 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.

13 Litigation

At June 30, 2016, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

14 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 33,690,712</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 3,369,071
Amount of Debt Applicable to Debt Limit	
General obligation debt	<u>222,469</u>
Legal Debt Margin	<u>\$ 3,146,602</u>

15 Surety Bond Information

The following are insured through the Virginia Municipal League in effect at June 30, 2016:

<u>Name</u>	<u>Fund</u>	<u>Amount</u>	<u>Insurance Company</u>
Blanket Coverage All employees	All Funds	\$250,000	Virginia Municipal League

16 Pension Plan

Plan Description

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

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

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RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

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

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

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

Vesting

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

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

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

PLAN 1

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

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

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

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

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	2
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	15
Active members	<u>23</u>
Total covered employees	<u>50</u>

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 5.57% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$109,027 and \$99,825 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3 percent - 5.25 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3 percent - 5.25 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 3,432,304	\$ 3,018,963	\$ 413,341
Changes for the Year			
Service cost	97,467	-	97,467
Interest	235,900	-	235,900
Differences between expected and actual experience	19,270	-	19,270
Contributions - employer	-	93,763	(93,763)
Contributions - employee	-	44,353	(44,353)
Net investment income	-	139,426	(139,426)
Benefit payments, including refunds of employee contributions	(124,601)	(124,601)	-
Administrative expenses	-	(1,866)	1,866
Other changes	-	(32)	32
Net Changes	<u>228,036</u>	<u>151,043</u>	<u>76,993</u>
Balances at June 30, 2015	<u>\$ 3,660,340</u>	<u>\$ 3,170,006</u>	<u>\$ 490,334</u>

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's			
Net Pension Liability \$	954,095	\$ 490,334	\$ 101,004

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$59,135. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,932	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	79,868
Employer contributions subsequent to the measurement date	<u>109,027</u>	<u>-</u>
Total	<u>\$ 122,959</u>	<u>\$ 79,868</u>

\$122,959 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30.</u>	
2017	\$ (26,105.00)
2018	(26,105.00)
2019	(28,186.00)
2020	14,460.00
2021	-
Thereafter	-

Payables to the Pension Plan

The political subdivision recognizes \$12,333 of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2016 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

17 Health Insurance Credit Program

Plan Description

Town of Lawrenceville, Virginia participates in the VRS (Virginia Retirement System) Health Insurance Credit Program.

Summary of Main Benefit Provisions as Interpreted for Valuation Purposes

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former state employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be \$1.50 per year of creditable service; which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees are eligible to receive a maximum monthly credit of \$45.

If an eligible employee has worked for more than one employer in VRS, for the purpose of this valuation, their most current (or last) employer assumes full liability for that employee.

REQUIRED SUPPLEMENTARY INFORMATION Health Insurance Credit Program Schedule of Funding Progress for Town

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2013	\$ 21,090	\$ 40,990	\$ 19,900	51.45%	\$ 850,174	2.34%
June 30, 2014	25,650	44,917	19,267	57.11%	840,224	2.29%
June 30, 2015	27,435	47,724	20,289	57.49%	890,434	2.28%

Summary of Actuarial Assumptions and Methods as Interpreted for Valuation Purposes

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Closed
Remaining Amortization Period	29 - 20 Years
Asset Valuation Method	Five-Year Smoothed Market
Actuarial Assumptions	
Investment rate of return ¹	7.00%
Projected salary increases ¹	
NonLaw Enforcement Officer Employees	3.5%-5.35%
Law Enforcement Officer Employees	3.5%-4.75%
Cost-of-living adjustments	2.50%

¹Includes inflation of 2.50%

18 Fund Balances – Governmental Funds

As of June 30, 2016, fund balances are composed of the following:

Primary Government

	<u>Assigned for</u>	<u>Amount</u>
Cemetery Fund	Cemetery Maintenance	\$ <u>71,897</u>

19 Subsequent Events

We have searched for events occurring subsequent to the date of the financial statements that may impact the financial data herein presented. When such events occur, we report the event and estimate, to the best of our ability, the potential measurable impact to the financial data reported. We are not aware of any material events occurring during the period of time that is subsequent to the date of the financial statements up to and including the date of the Independent Auditor's Report.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Lawrenceville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2016

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real and personal property taxes	\$ 240,000	\$ 240,000	\$ 232,479	\$ (7,521)
Penalties and interest on taxes	<u>5,000</u>	<u>5,000</u>	<u>7,251</u>	<u>2,251</u>
Total General Property Taxes	245,000	245,000	239,730	(5,270)
Other Local Taxes				
Local sales and use taxes	100,000	100,000	49,455	(50,545)
Utility and consumption taxes	130,000	130,000	107,031	(22,969)
Business license taxes	60,000	60,000	73,488	13,488
Meals taxes	180,000	180,000	140,753	(39,247)
Motor vehicle licenses	16,000	16,000	12,340	(3,660)
Bank franchise tax	<u>70,000</u>	<u>70,000</u>	<u>68,783</u>	<u>(1,217)</u>
Total Other Local Taxes	556,000	556,000	451,850	(104,150)
Fines and Forfeitures	115,000	115,000	65,357	(49,643)
Revenue from Use of Money and Property				
Revenue from use of money	100	100	37	(63)
<i>Revenue from use of property</i>				
Rent of property	6,000	6,000	10,300	4,300
Sale of property	<u>9,900</u>	<u>9,900</u>	<u>7,313</u>	<u>(2,587)</u>
Total Revenue from Use of Money and Property	16,000	16,000	17,650	1,650
Charges for Services				
Garbage fees	85,000	85,000	57,339	(27,661)
Dumpster fees	-	-	18,763	18,763
Miscellaneous charges	<u>6,000</u>	<u>6,000</u>	<u>3,675</u>	<u>(2,325)</u>
Total Charges for Services	91,000	91,000	79,777	(11,223)
Miscellaneous				
Fire Department	8,000	8,000	90,100	82,100
Insurance proceeds	-	-	130,030	130,030
Chamber reimbursement	20,000	20,000	17,000	(3,000)
County fire appropriation	16,000	16,000	11,150	(4,850)
Miscellaneous	<u>-</u>	<u>-</u>	<u>9,559</u>	<u>9,559</u>
Total Miscellaneous	44,000	44,000	257,839	213,839

Variance
With
Final Budget
Positive
(Negative).

Intergovernmental

Revenue from the Commonwealth

Noncategorical Aid

Rolling stock taxes - motor vehicle carriers tax	-	-	7	7
Total Noncategorical Aid	-	-	7	7

Categorical Aid

Law Enforcement Grant	29,383	29,383	29,384	1
LLEBG	-	-	1,779	1,779
Art grant	500	500	-	(500)
Litter control	1,000	1,000	1,071	71
Fire program	-	-	10,000	10,000
Total Categorical Aid	30,883	30,883	42,234	11,351

Total Revenue from the Commonwealth	30,883	30,883	42,241	11,358
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Revenue from the Federal Government

V-STOP Grant	42,083	42,083	52,591	10,508
Downtown Grant	100,000	100,000	3,500	(96,500)
Innovation Grant	50,000	50,000	-	(50,000)
T21 Grant	100,000	100,000	-	(100,000)
CDBG	-	-	59,455	59,455
DMV DUI fees	12,000	12,000	2,100	(9,900)
Total Revenue from the Federal Government	304,083	304,083	117,646	(186,437)

Total Intergovernmental Revenue	334,966	334,966	159,887	(175,079)
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Total Revenues	1,401,966	1,401,966	1,272,090	(129,876)
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Expenditures

Current

General Government Administration

Town Council	10,200	10,200	10,000	200
Salaries	112,485	112,485	105,121	7,364
Postage and telephone	5,200	5,200	4,350	850
Treasurer's bond	500	500	634	(134)
Printing and office supplies	8,000	8,000	8,857	(857)
Town's share FICA taxes	8,605	8,605	8,008	597
Utilities	7,800	7,800	7,183	617
Capital	25,000	25,000	52	24,948
Gas, oil, and car repairs	500	500	5,650	(5,150)
Professional fees	17,000	17,000	22,633	(5,633)
Dues and travel	8,000	8,000	11,185	(3,185)
Computer maintenance	13,000	13,000	13,862	(862)
Litter Grant	1,000	1,000	1,260	(260)
Art Grant	500	500	1,000	(500)
Insurance and bonds	11,790	11,790	14,534	(2,744)
Employee benefits	13,712	13,712	11,110	2,602
Hospitalization	26,550	26,550	40,613	(14,063)
Miscellaneous	9,900	9,900	12,587	(2,687)
Building maintenance	25,000	25,000	18,468	6,532
Total General Government Administration	304,742	304,742	297,107	7,635

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Public Safety				
<i>Police Department</i>				
Salaries	341,752	341,752	340,882	870
FICA	26,144	26,144	25,841	303
Travel and dues	10,300	10,300	8,203	2,097
Professional	1,000	1,000	1,984	(984)
DUI Grant expense	12,000	12,000	1,475	10,525
Insurance	10,813	10,813	12,418	(1,605)
Supplies	5,000	5,000	8,907	(3,907)
Vehicle	36,000	36,000	16,568	19,432
Computer maintenance	5,000	5,000	4,590	410
Utilities	7,000	7,000	6,097	903
Capital outlay	6,500	6,500	-	6,500
Local law enforcement	-	-	1,911	(1,911)
Postage and telephone	12,000	12,000	10,300	1,700
Asset forfeiture	-	-	32	(32)
Miscellaneous	18,928	18,928	2,152	16,776
Employee benefits	83,910	83,910	75,203	8,707
Total Police Department	576,347	576,347	516,563	59,784
<i>Fire Department</i>				
General	22,500	22,500	61,157	(38,657)
Supplies	3,650	3,650	4,646	(996)
Vehicle	13,500	13,500	11,712	1,788
Insurance	21,200	21,200	14,519	6,681
Miscellaneous	1,550	1,550	2,450	(900)
Capital outlay	20,000	20,000	34,150	(14,150)
Utilities and telephone	9,100	9,100	11,007	(1,907)
Repairs and maintenance	5,000	5,000	1,580	3,420
Department of fire programs	8,000	8,000	9,000	(1,000)
Total Fire Department	104,500	104,500	150,221	(45,721)
Total Public Safety	680,847	680,847	666,784	14,063
Public Works				
<i>Streets</i>				
Salaries	237,863	237,863	189,449	48,414
Supplies	20,000	20,000	18,320	1,680
Insurance	16,906	16,906	17,944	(1,038)
Vehicle	70,000	70,000	55,963	14,037
Garbage disposal	5,000	5,000	4,529	471
Miscellaneous	24,200	24,200	14,473	9,727
Employee benefits	84,251	84,251	63,675	20,576
Capital outlay	25,000	25,000	600	24,400
FICA	18,197	18,197	12,910	5,287
Utilities and postage	37,500	37,500	28,807	8,693
Sidewalks and gateways	7,000	7,000	8,776	(1,776)
LEDA	5,000	5,000	5,000	-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Parking lot maintenance	10,000	10,000	4,734	5,266
Total Streets	<u>560,917</u>	<u>560,917</u>	<u>425,180</u>	<u>135,737</u>
Total Public Works	560,917	560,917	425,180	135,737
Community Development				
Parks maintenance	2,500	2,500	1,613	887
Downtown Grant	100,000	100,000	3,500	96,500
Building Code Enforcement	32,000	32,000	-	32,000
Airport	18,500	18,500	16,362	2,138
BABB	3,500	3,500	3,500	-
Revitalization	55,000	55,000	177,998	(122,998)
T-21 expense	100,000	100,000	-	100,000
Innovation Grant	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Community Development	361,500	361,500	202,973	158,527
Debt Service				
Principal payments related to debt	10,290	10,290	69,830	(59,540)
Interest expense related to debt	<u>-</u>	<u>-</u>	<u>8,928</u>	<u>(8,928)</u>
Total Debt Service	<u>10,290</u>	<u>10,290</u>	<u>78,758</u>	<u>(68,468)</u>
Total Expenditures	<u>1,918,296</u>	<u>1,918,296</u>	<u>1,670,802</u>	<u>247,494</u>
Excess (Deficiency) of Revenues Over Expenditures	(516,330)	(516,330)	(398,712)	117,618
Other Financing Sources (Uses)				
Contingency/surplus	516,330	516,330	-	(516,330)
Operating transfers in	<u>-</u>	<u>-</u>	<u>144,527</u>	<u>144,527</u>
Total Other Financing Sources (Uses)	<u>516,330</u>	<u>516,330</u>	<u>144,527</u>	<u>(371,803)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(254,185)	<u>\$ (254,185)</u>
Fund Balance (Deficit) - Beginning of Year			<u>(1,974,476)</u>	
Fund Balance (Deficit) - End of Year			<u>\$ (2,228,661)</u>	

Cemetery Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ -	\$ -	\$ 5,117	\$ 5,117
Total Revenues	-	-	5,117	5,117
Expenditures				
Current				
Community development	-	-	3,675	(3,675)
Total Expenditures	-	-	3,675	(3,675)
Excess (Deficiency) of Revenues Over Expenditures	-	-	1,442	1,442
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,442	<u>\$ 1,442</u>
Fund Balance - Beginning of Year			<u>70,455</u>	
Fund Balance - End of Year			<u>\$ 71,897</u>	

Town of Lawrenceville, Virginia

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

Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 97,467	\$ 96,502
Interest	235,900	222,225
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	19,270	-
Benefit Payments, including refunds of employee contributions	<u>(124,601)</u>	<u>(122,131)</u>
Net change in total pension liability	228,036	196,596
Total pension liability - beginning	<u>3,432,304</u>	<u>3,235,708</u>
Total pension liability - ending (a)	<u>\$ 3,660,340</u>	<u>\$ 3,432,304</u>
Plan fiduciary net position		
Contributions - employer	\$ 93,763	\$ 94,122
Contributions - employee	44,353	42,170
Net investment income	139,426	411,618
Benefit Payments, including refunds of employee contributions	(124,601)	(122,131)
Administrative expense	(1,866)	(2,183)
Other	<u>(32)</u>	<u>21</u>
Net change in plan fiduciary net position	151,043	423,617
Plan fiduciary net position - beginning	<u>3,018,963</u>	<u>2,595,346</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,170,006</u>	<u>\$ 3,018,963</u>
Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 490,334</u>	<u>\$ 413,341</u>
Plan fiduciary net position as a percentage of the total pension liability	86.60%	87.96%
Covered payroll	\$ 911,873	\$ 890,434
Political subdivision's net pension liability as a percentage of covered payroll	53.77%	46.42%

Town of Lawrenceville, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2007 through 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	\$ 56,171	\$ 109,027	\$ (52,856)	\$ 911,873	11.96%
2015	54,851	99,825	(44,974)	890,434	11.21%
2014	51,758	93,786	(42,028)	840,224	11.16%
2013	52,371	101,551	(49,180)	850,174	11.94%
2012	44,686	119,193	(74,507)	725,423	16.43%
2011	44,686	117,302	(72,616)	725,423	16.17%
2010	46,125	107,498	(61,373)	748,779	14.36%
2009	45,962	102,529	(56,567)	746,143	13.74%
2008	44,481	102,780	(58,299)	722,100	14.23%
2007	39,342	92,179	(52,837)	638,676	14.43%

For Reference Only

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

Column 2 – Actual employer contribution remitted to VRS

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

Town of Lawrenceville, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

OTHER SUPPLEMENTARY INFORMATION

Town of Lawrenceville, Virginia

Statement of Net Position

Discretely Presented Component Unit - EDA

Economic Development Authority of the Town of Lawrenceville, Virginia

June 30, 2016

Assets

Current Assets

Cash	\$ 17,028
Rent receivable	<u>500</u>
Total Current Assets	17,528

Capital Assets

Land	70,800
Buildings	336,395
Less: Accumulated depreciation	<u>(13,013)</u>
Net Capital Assets	<u>394,182</u>
Total Assets	<u>\$ 411,710</u>

Liabilities and Net Position

Liabilities	\$ 1,234
Net Position	
Net investment in capital assets	394,182
Unrestricted	<u>16,294</u>
Total Net Position	<u>410,476</u>
Total Liabilities and Net Position	<u>\$ 411,710</u>

Town of Lawrenceville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Discretely Presented Component Unit - EDA

Economic Development Authority of the Town of Lawrenceville, Virginia

Year Ended June 30, 2016

Operating Revenues

Rental income	\$ 6,000
Contribution from Town	5,000
Miscellaneous	614
Recovered costs	<u>20,075</u>

Total Operating Revenues 31,689

Operating Expenses

Repairs and maintenance	2,749
Depreciation	8,308
Miscellaneous	74
Office supplies	57
Professional fees	1,500
Utilities	<u>1,129</u>

Total Operating Expenses 13,817

Net Operating Income 17,872

Change in Net Position before Non-Cash Capital Contributions 17,872

Non-cash Capital Contributions -

Change in Net Position 17,872

Net Position - Beginning of Year 392,604

Net Position - End of Year \$ 410,476

Town of Lawrenceville, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - EDA

Economic Development Authority of the Town of Lawrenceville, Virginia

Year Ended June 30, 2016

Cash Flows from Operating Activities

Receipts	\$ 31,189
Payments to suppliers	<u>(4,275)</u>

Net Cash Provided by Operating Activities	26,914
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Cash Flows from Financing Capital and Related Activities

Purchase of capital assets	<u>(31,601)</u>
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Net Cash Used in Financing Capital and Related Activities	<u>(31,601)</u>
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Decrease in Cash and Cash Equivalents	(4,687)
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Cash and Cash Equivalents - Beginning of Year	<u>21,715</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 17,028</u></u>
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Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 17,872
<i>Changes in assets and liabilities</i>	
Receivables	(500)
Accounts payable	1,234
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
Depreciation	<u>8,308</u>

Net Cash Provided by Operating Activities	<u><u>\$ 26,914</u></u>
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OTHER INFORMATION

Table 1

Town of Lawrenceville, Virginia

General Governmental Revenues by Source

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Recovered Costs</u>	<u>Miscellaneous</u>	<u>Inter-Governmental</u>	<u>Total</u>
2007	\$ 210,950	\$ 237,980	\$ 17,820	\$ 36,518	\$ 92,973	\$ 32,719	\$ 173,619	\$ 56,825	\$ 859,404
2008	235,873	424,474	44,583	7,036	115,796	2,105	153,726	111,402	1,094,995
2009	238,255	443,490	42,283	2,785	100,975	-	240,927	79,693	1,148,408
2010	227,811	450,773	58,708	4,874	102,878	-	168,248	54,802	1,068,094
2011	256,687	470,928	85,834	1,853	110,387	-	228,685	106,709	1,261,083
2012	221,624	476,449	97,367	3,514	94,352	-	128,621	286,389	1,308,316
2013	230,539	453,127	103,472	1,620	86,953	-	156,807	257,267	1,289,785
2014	229,932	543,215	93,579	3,659	76,793	-	310,285	168,737	1,426,200
2015	227,063	604,435	74,520	25,364	78,176	-	96,797	573,360	1,679,715
2016	239,730	451,850	65,357	17,650	79,777	-	257,839	159,887	1,272,090

Town of Lawrenceville, Virginia

General Governmental Expenditures by Function

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Debt Service</u>	<u>Total</u>
2007	\$ 175,206	\$ 400,359	\$ 343,780	\$ 324,222	\$ 176,261	\$ 1,419,828
2008	153,172	579,889	472,721	153,835	212,928	1,572,545
2009	197,694	645,076	390,319	109,488	145,941	1,488,518
2010	191,513	557,686	313,872	56,735	129,053	1,248,859
2011	288,638	677,898	347,904	32,094	173,234	1,519,768
2012	227,510	643,334	389,365	98,481	240,737	1,599,427
2013	442,270	724,251	380,155	228,532	152,552	1,927,760
2014	238,114	746,734	401,918	127,693	361,473	1,875,932
2015	273,929	792,637	403,358	751,089	78,267	2,299,280
2016	297,107	666,784	425,180	202,973	78,758	1,670,802

COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., 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 Lawrenceville, 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, the discretely presented component unit, and each major fund of the Town of Lawrenceville, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Lawrenceville, Virginia's basic financial statements, and have issued our report thereon dated February 8, 2017.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 8, 2017