Appomattox Town Council Workshop Meeting Agenda

Appomattox Municipal Building, 210 Linden Street, Appomattox, Virginia 24522

Tuesday, November 24, 2026

8:44 PM – Town Council Workshop Meeting
(Location: Appomattox Municipal Building, 210 Linden Street, Appomattox, Virginia 24522)

Call to Order

Adoption of Agenda

Discussion Items

1. Presentation by Hailey Fox of Brown Edwards & Company, LLP of the results from the independent financial audit for fiscal year 2026.
2. The Town Treasurer, Kim Ray, will discuss the upcoming proposed budget amendments with Town Council.

Staff Reports

Town Manager Comments

Council Comments

Mayor's Comments

Council Standing Committee Reports

Adjournment

File Attachments for Item:

1. Presentation by Hailey Fox of Brown Edwards & Company, LLP of the results from the independent financial audit for fiscal year 2026.

TOWN OF APPOMATTOX
TOWN COUNCIL ACTION FORM

Order of Business:
- ☐ Consent Agenda
- ☐ Public Hearing
- ☐ Presentation-Boards/Commissions
- ☐ Unfinished Business
- ☐ Citizen/Councilor Request
- ☒ Regular Business
- ☐ Reports of Council Committees

Action:
- ☐ Approve and File
- ☐ Take Appropriate Action
- ☒ Receive & File (no motion required)
- ☐ Approve Ordinance 1st Reading
- ☐ Approve Ordinance 2nd Reading
- ☐ Set a Public Hearing
- ☐ Approve on Emergency Measure

COUNCIL AGENDA ITEM TITLE:

ISSUE: Independent Financial Audit Report Review for FY26

RECOMMENDATION: Presentation by Hailey Fox of Brown Edwards & Company, LLP

TIMING: Presentation

BACKGROUND: Annual audit and report required by **Virginia Code § 15.2-2511. Audit of local government records, etc.; Auditor of Public Accounts; audit of shortages; civil penalty**.

ENCLOSED DOCUMENTS: Presentation attached for review.

STAFF/SPONSOR: Kimberley Ray, Financial Director/Treasurer

FOR IN MEETING USE ONLY

MOTION: _____

Roll Call

SUMMARY:

Y	N		Y	N	
□	□	Councilor Timothy W. Garrett	□	□	Councilor Nathan A. Simpson
□	□	Councilor Jane Allen	□	□	Councilor Mary Lou Spiggle
□	□	Councilor James Boyce,Sr.	□	□	Mayor Richard Conner (If required)
□	□	Councilor McKinley Cardwell			

Rev. January 2023



Financial Report

For the Fiscal Year Ended June 30, 2026

Town of Appomattox, Virginia

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Introductory Section

Town of Appomattox, Virginia

Directory of Principal Officials

June 30, 2026

Town Council

Richard Conner, Mayor
Timothy W. Garrett, Vice Mayor
James Boyce, Sr.
McKinley Cardwell
Jack Hensley
Mary Lou Spiggle
Danielle Ulmer

Economic Development Authority Board

Dr. Zamora Crawford Olin, Chairman
Mary Lou Spiggle, Vice Chairman
James Boyce, Sr.
Ronald Coleman
Donna Preston
Kiva Preston

Appointed Officials

Michael Campbell ..... Town Manager
Frank Wright, Jr. ..... Town Attorney
Kim Ray ..... Treasurer
Dianne Tanner ..... Deputy Town Clerk

Independent Auditors

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

Financial Section

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

To the Honorable Members of the Town Council
Town of Appomattox, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Appomattox, Virginia (the "Town") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2026 the Town adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supporting schedules and financial statements of the discretely presented component unit are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules and financial statements of the discretely presented component unit are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2026 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 13, 2026

Basic Financial Statements

Town of Appomattox, Virginia

Exhibit 1

Statement of Net Position

June 30, 2026

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	$ 6,845,760	$ 3,410,267	$ 10,256,027	$ 10,093
Receivables, net (Note 3)	192,936	210,972	403,908	-
Due from other governments (Note 5)	26,591	65,715	92,306	-
Inventories	-	168,350	168,350	-
Prepaid expenses	24,035	1,802	25,837	-
Capital assets (Note 7)				
Nondepreciable	118,749	224,357	343,106	-
Depreciable, net	2,237,019	17,984,856	20,221,875	-
Lease receivable (Note 9)				
Receivable within one year	-	9,029	9,029	-
Receivable in more than one year	-	98,277	98,277	-
Total assets	9,445,090	22,173,625	31,618,715	10,093
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows (Note 11)	106,465	56,068	162,533	-
Other postemployment benefits-related deferred outflows (Note 12)	9,272	2,635	11,907	-
Total deferred outflows of resources	115,737	58,703	174,440	-
LIABILITIES				
Accounts payable and accrued liabilities	64,785	47,359	112,144	-
Accrued payroll and related liabilities	55,403	13,945	69,348	-
Accrued interest payable	-	3,684	3,684	-
Customer security deposits	-	23,150	23,150	-
Unearned revenue	90,265	-	90,265	-
Long-term liabilities				
Net pension liability (Note 11)	113,130	59,578	172,708	-
Net other postemployment benefits liability (Note 12)	26,149	7,431	33,580	-
Due within one year (Note 8)	34,839	123,439	158,278	-
Due in more than one year (Note 8)	38,836	4,949,028	4,987,864	-
Total liabilities	423,407	5,227,614	5,651,021	-
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows (Note 11)	89,876	47,332	137,208	-
Other postemployment benefits-related deferred inflows (Note 12)	9,137	2,597	11,734	-
Leases-related deferred inflows (Notes 1 and 9)	-	85,244	85,244	-
Unearned revenue (Note 4)	-	771,400	771,400	-
Total deferred inflows of resources	99,013	906,573	1,005,586	-
NET POSITION				
Net investment in capital assets	2,326,631	13,153,946	15,480,577	-
Unrestricted	6,711,776	2,944,195	9,655,971	10,093
Total net position	**$ 9,038,407**	**$ 16,098,141**	**$ 25,136,548**	**$ 10,093**

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

Town of Appomattox, Virginia

Exhibit 2

Statement of Activities

Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Economic Development Authority
Primary Government								
Governmental activities								
General government administration	$ 836,419	$ -	$ 2,750	$ 403,425	$ (430,244)	$ -	$ (430,244)	$ -
Public safety	308,304	-	74,187	-	(234,117)	-	(234,117)	-
Public works	2,357,925	1,075	-	798,800	(1,558,050)	-	(1,558,050)	-
Community development	247,637	-	-	-	(247,637)	-	(247,637)	-
Interest on long-term debt	632	-	-	-	(632)	-	(632)	-
Total governmental activities	3,750,917	1,075	76,937	1,202,225	(2,470,680)	-	(2,470,680)	-
Business-type activities								
Water	1,058,139	626,324	168,862	41,600	-	(221,353)	(221,353)	-
Sewer	1,519,909	1,051,443	1,375	24,115	-	(442,976)	(442,976)	-
Total business-type activities	2,578,048	1,677,767	170,237	65,715	-	(664,329)	(664,329)	-
Total primary government	**$ 6,328,965**	**$ 1,678,842**	**$ 247,174**	**$ 1,267,940**	(2,470,680)	(664,329)	(3,135,009)	-
Component Unit								
Economic Development Authority	**$ 3,225**	**$ -**	**$ -**	**$ -**	-	-	-	(3,225)
General revenues:								
Property taxes					303,520	-	303,520	-
Meals taxes					1,637,459	-	1,637,459	-
Sales and use taxes					153,015	-	153,015	-
Bank stock taxes					240,713	-	240,713	-
Business license taxes					268,597	-	268,597	-
Cigarette taxes					78,750	-	78,750	-
Other local taxes					148,200	-	148,200	-
Intergovernmental revenue not restricted to specific programs					33,863	-	33,863	-
Investment earnings					81,162	58,872	140,034	6
Other					102,018	79,752	181,770	-
Transfers (Note 6)					(43,558)	43,558	-	-
Total general revenues					3,003,739	182,182	3,185,921	6
Change in net position					533,059	(482,147)	50,912	(3,219)
NET POSITION AT JULY 1					8,505,348	16,580,288	25,085,636	13,312
NET POSITION AT JUNE 30					**$ 9,038,407**	**$ 16,098,141**	**$ 25,136,548**	**$ 10,093**

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

Town of Appomattox, Virginia

Exhibit 3

Balance Sheet – Governmental Fund

June 30, 2026

	General Fund
ASSETS	
Cash and cash equivalents	$ 6,845,760
Receivables, net	192,936
Prepaid expenses	24,035
Due from other governments	26,591
Total assets	**$ 7,089,322**
LIABILITIES	
Accounts payable and accrued liabilities	$ 64,785
Accrued payroll and related liabilities	55,403
Unearned revenue	90,265
Total liabilities	210,453
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	27,442
FUND BALANCE (Note 16)	
Nonspendable	24,035
Committed	360,758
Unassigned	6,466,634
Total fund balance	6,851,427
Total liabilities, deferred inflows of resources, and fund balance	**$ 7,089,322**

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

Town of Appomattox, Virginia

Exhibit 4

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position

June 30, 2026

Ending fund balance – governmental fund		$ 6,851,427
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the fund.		
Governmental capital assets	$ 4,400,009	
Less accumulated depreciation and amortization	(2,044,241)	
		2,355,768
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the fund.		27,442
Financial statement elements related to pension are applicable to future periods and, therefore, are not reported in the fund.		
Deferred outflows of resources		
Pensions	106,465	
Other postemployment benefits	9,272	
Deferred inflows of resources		
Pensions	(89,876)	
Other postemployment benefits	(9,137)	
Net pension liability	(113,130)	
Net other postemployment benefits liability	(26,149)	
		(122,555)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.		
Compensated absences	(54,145)	
Leases	(19,530)	
		(73,675)
Total net position – governmental activities		**$ 9,038,407**

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

Town of Appomattox, Virginia

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund

Year Ended June 30, 2026

	General Fund
REVENUES	
General property taxes (Note 13)	$ 296,205
Other local taxes	2,526,734
Permits, privilege fees, and regulatory licenses	1,075
Revenue from use of money and property	81,162
Other	102,018
Intergovernmental	514,225
Total revenues	3,521,419
EXPENDITURES	
Current	
General government administration	1,015,568
Public safety	308,304
Public works	1,511,164
Community development	228,279
Debt service	
Principal retirement	18,909
Interest and other fiscal charges	632
Total expenditures	3,082,856
Excess of revenues over expenditures	438,563
OTHER FINANCING SOURCES (USES)	
Issuance of leases	6,507
Transfers out (Note 6)	(43,558)
Total other financing sources (uses)	(37,051)
Net change in fund balance	401,512
FUND BALANCE AT JULY 1	6,449,915
FUND BALANCE AT JUNE 30	**$ 6,851,427**

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

Town of Appomattox, Virginia

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities

Year Ended June 30, 2026

Net change in fund balance – governmental fund		$ 401,512
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense.		
Capital outlays	$ 1,203,659	
Disposal of capital assets	(798,800)	
Depreciation and amortization expense	(249,116)	
		155,743
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		
Unavailable revenue		7,315
Governmental funds report employer 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.		
Employer pension contributions	(57,392)	
Pension expense	15,870	
		(41,522)
Governmental funds report employer other postemployment benefits contributions as expenditures. However, in the statement of activities the cost of benefits earned net of employee contributions is reported as other postemployment benefits expense.		
Employer other postemployment benefits contributions	(4,259)	
Other postemployment benefits expense	6,987	
		2,728
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has an effect on net position.		
Principal repayments on general obligation bond, lease, and subscription liabilities	18,909	
		18,909
Long-term compensated absences are reported in the statement of activities, but they do not require the use of current financial resources and, therefore, are not recorded as expenditures in governmental funds.		(5,119)
Lease issuance		(6,507)
Change in net position of governmental activities		**$ 533,059**

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

Town of Appomattox, Virginia

Exhibit 7

Statement of Net Position – Proprietary Funds

June 30, 2026

	Business-Type Activities Enterprise Funds		
	Water	**Sewer**	**Total**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,242,265	$ 2,168,002	$ 3,410,267
Receivables, net	73,761	137,211	210,972
Due from other governments	41,600	24,115	65,715
Inventories	150,971	17,379	168,350
Current portion of lease receivable	9,029	-	9,029
Prepaid expenses	1,496	306	1,802
Total current assets	1,519,122	2,347,013	3,866,135
NONCURRENT ASSETS			
Capital assets, net	4,922,263	13,286,950	18,209,213
Lease receivable	98,277	-	98,277
Total noncurrent assets	5,020,540	13,286,950	18,307,490
Total assets	6,539,662	15,633,963	22,173,625
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows	23,551	32,517	56,068
Other postemployment benefits-related deferred outflows	1,302	1,333	2,635
Total deferred outflows of resources	24,853	33,850	58,703
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	27,589	19,770	47,359
Accrued payroll and related liabilities	7,258	6,687	13,945
Accrued interest payable	568	3,116	3,684
Customer security deposits	23,150	-	23,150
Current portion of long-term debt	34,485	82,590	117,075
Current portion of compensated absences	3,322	3,042	6,364
Total current liabilities	96,372	115,205	211,577
NONCURRENT LIABILITIES			
Net pension liability	25,025	34,553	59,578
Net other postemployment benefits liability	3,671	3,760	7,431
Long-term debt	1,525,800	3,412,392	4,938,192
Compensated absences	5,656	5,180	10,836
Total noncurrent liabilities	1,560,152	3,455,885	5,016,037
Total liabilities	1,656,524	3,571,090	5,227,614
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows	19,881	27,451	47,332
Other postemployment benefits-related deferred outflows	1,283	1,314	2,597
Leases-related deferred inflows	85,244	-	85,244
Unearned revenue	771,400	-	771,400
Total deferred inflows of resources	877,808	28,765	906,573
NET POSITION			
Net investment in capital assets	3,361,978	9,791,968	13,153,946
Unrestricted	668,205	2,275,990	2,944,195
Total net position	**$ 4,030,183**	**$ 12,067,958**	**$ 16,098,141**

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

Town of Appomattox, Virginia

Exhibit 8

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2026

	Business-Type Activities Enterprise Funds		
	Water	**Sewer**	**Total**
OPERATING REVENUES			
Charges for services	$ 626,324	$ 1,051,443	$ 1,677,767
Rent income	29,905	-	29,905
Other	27,567	22,280	49,847
Total operating revenues	683,796	1,073,723	1,757,519
OPERATING EXPENSES			
Salaries	147,170	150,846	298,016
Fringe benefits	71,619	90,816	162,435
Maintenance	148,874	125,360	274,234
Utilities	-	66,490	66,490
Materials and supplies	23,792	178,726	202,518
Sample testing	6,348	24,526	30,874
Professional services	39,961	211,248	251,209
Other	170,050	1,973	172,023
Purchased water	238,817	-	238,817
Amortization	-	574	574
Depreciation	185,325	620,325	805,650
Total operating expenses	1,031,956	1,470,884	2,502,840
Operating loss	(348,160)	(397,161)	(745,321)
NONCAPITAL SUBSIDIES			
Federal revenues	168,862	1,375	170,237
Total noncapital subsidies	168,862	1,375	170,237
Operating loss and noncapital subsidies	(179,298)	(395,786)	(575,084)
OTHER NONOPERATING REVENUES (EXPENSES)			
Interest income	31,543	27,329	58,872
Interest expense	(26,183)	(49,025)	(75,208)
Capital subsidies – federal revenues	41,600	24,115	65,715
Transfers in - restricted for capital assets (Note 6)	43,558	-	43,558
Total other nonoperating revenues	90,518	2,419	92,937
Change in net position	(88,780)	(393,367)	(482,147)
NET POSITION AT JULY 1	4,118,963	12,461,325	16,580,288
NET POSITION AT JUNE 30	**$ 4,030,183**	**$ 12,067,958**	**$ 16,098,141**

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

Town of Appomattox, Virginia

Exhibit 9

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2026

	Business-Type Activities Enterprise Funds		
	Water	**Sewer**	**Total**
OPERATING ACTIVITIES			
Receipts from customers	$ 605,401	$ 1,049,093	$ 1,654,494
Payments to suppliers	(831,640)	(610,440)	(1,442,080)
Payments to and for employees	(209,219)	(208,776)	(417,995)
Water tower rent	6,912	-	6,912
Other receipts	27,567	22,280	49,847
Net cash provided by (used in) operating activities	(400,979)	252,157	(148,822)
NON-CAPITAL FINANCING ACTIVITIES			
Federal grants	343,640	1,426	345,066
Net cash provided by non-capital financing activities	343,640	1,426	345,066
CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from other funds	43,558	-	43,558
Acquisition and construction of capital assets	(91,708)	(279,318)	(371,026)
Principal paid on debt	(51,907)	(109,371)	(161,278)
Interest paid on debt	(26,637)	(49,792)	(76,429)
Net cash used in capital and related financing activities	(126,694)	(438,481)	(565,175)
INVESTING ACTIVITIES			
Interest received	31,543	27,329	58,872
Net cash provided by investing activities	31,543	27,329	58,872
Net decrease in cash and cash equivalents	(152,490)	(157,569)	(310,059)
CASH AND CASH EQUIVALENTS			
Beginning of year	1,394,755	2,325,571	3,720,326
Ending of year	**$ 1,242,265**	**$ 2,168,002**	**$ 3,410,267**
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating loss	$ (348,160)	$ (397,161)	$ (745,321)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	185,325	620,899	806,224
Pension expense, net of employer contribution	14,151	24,156	38,307
Other postemployment benefit expense, net of employer contribution	(275)	865	590
Change in certain assets and liabilities:			
(Increase) decrease in:			
Receivables	(6,953)	(2,350)	(9,303)
Inventory	(13,984)	(1,205)	(15,189)
Prepaid expenses	(211)	(306)	(517)
Lease receivable	6,363	-	6,363

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

Town of Appomattox, Virginia

Exhibit 9

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2026

	Business-Type Activities Enterprise Funds		
	Water	**Sewer**	**Total**
Increase (decrease) in:			
Accounts payable and accrued liabilities	(189,465)	2,412	(187,053)
Compensated absences	(4,444)	4,847	403
Customer security deposits	(13,970)	-	(13,970)
Lease-related deferred inflows	(9,056)	-	(9,056)
Unearned revenue	(20,300)	-	(20,300)
Net cash provided by (used in) operating activities	**$ (400,979)**	**$ 252,157**	**$ (148,822)**

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

Town of Appomattox, Virginia

Exhibit 10

Statement of Fiduciary Net Position

June 30, 2026

	Custodial Funds		
	Tree Board	ROSE Project	Total
ASSETS			
Cash and cash equivalents	$ 410	$ 1,941	$ 2,351
NET POSITION			
Restricted			
Amounts held for others	$ 410	$ 1,941	$ 2,351

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

Town of Appomattox, Virginia

Exhibit 11

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2026

	Custodial Funds		
	Tree Board	ROSE Project	Total
ADDITIONS			
Interest income	$ -	$ 1	$ 1
Total additions	-	1	1
DEDUCTIONS			
Payments to vendors	-	5,781	5,781
Total deductions	-	5,781	5,781
Net decrease in fiduciary net position	-	(5,780)	(5,780)
NET POSITION – AT JULY 1	410	7,721	8,131
NET POSITION – AT JUNE 30	**$ 410**	**$ 1,941**	**$ 2,351**

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

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Discretely Presented Component Unit

A component unit is an entity that is legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government's financial statements to be misleading or incomplete.

The Economic Development Authority of the Town of Appomattox, Virginia (the "EDA") was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The EDA is governed by a seven-member Board of Directors appointed by Town Council and the Town is financially accountable for the EDA. The Town provides personnel assistance for some administrative and operational functions to the EDA at no charge. The EDA does not prepare separate financial statements.

The Town has no related or jointly governed organizations.

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include custodial funds; custodial funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The Town's custodial funds include amounts held for others in a fiduciary capacity, which includes the Tree Board and the ROSE Project.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary

funds' principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Nonoperating items consist of subsidies received and provided, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses.

Cash and Cash Equivalents

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

Inventories

Inventories in the proprietary funds consist primarily of parts held for repairs or construction and are valued using the average cost method.

Prepaids

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

Allowance for Uncollectible Accounts

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

Real estate taxes	$	2,111
Personal property taxes		22,559
Community Development Block Grant Program loans receivable		42,222
Water fund receivables		2,015
Sewer fund receivables		6,796
	$	**75,703**

Capital Assets

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

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

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

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

Lease and subscription assets are amortized over the shorter of the lease or subscription term or useful life of the underlying asset. In leases and subscriptions where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is non-depreciable, in which the lease or subscription asset is not amortized.

Compensated Absences

The Town allows for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported for leave that has not been used if the leave is attributable to services already rendered, as the leave accumulates, and if the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's Plan's net fiduciary position has 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting in these categories:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Changes in proportionate share that will be recognized in OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or a deferred inflow as appropriate.
- Change in assumptions on pension and OPEB plans. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan. This may be reported as a deferred outflow or a deferred inflow as appropriate.

- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- One item occurs only under the modified accrual basis of accounting. The item, unavailable revenue, is reported in the governmental fund balance sheet as a deferred inflow. The governmental funds report unavailable revenue from delinquent property taxes not collected within 45 days of year end.
- Rent revenues in the water fund that will be earned in future periods and fund future years is reported as a deferred inflow.
- Lease-related amounts are recognized at the inception of leases in which the Town is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Net Position

Net position in government-wide and proprietary financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. Net investment in capital assets represents capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

Right-of-Use Lease and Subscription-Based Information Technology Arrangements (SBITA) Assets and Related Lease and SBITA Liabilities

The Town is a lessee for non-cancellable leases of equipment and software subscriptions. The Town recognizes an intangible right-to-use asset and a related liability on the financial statements. At the commencement of a lease or SBITA, the Town initially measures a liability at the present value of payments expected to be made during the lease or SBITA period. Subsequently, the liability is reduced by the principal portion of lease or SBITA payments made. The asset is initially measured as the initial amount of the liability, adjusted for lease or SBITA payments made at or before the commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the asset is amortized on a straight-line basis over its useful life.

Lease and SBITA assets are reported with other capital assets and lease and SBITA liabilities are reported with long-term debt in the statement of net position.

Key estimates and judgments include how the Town determines: (1) the discount rate it uses to discount the expected payments to present value, (2) term, and (3) payments.

- The Town uses an estimated incremental borrowing rate as the discount rate.
- The lease term includes the non-cancellable periods. Payments are included in the measurement of the liability and are composed of fixed payments.
- The Town monitors changes in circumstances that would require a remeasurement of its leases or SBITA, and will remeasure if certain changes occur that are expected to significantly affect the amount of the liability.

Lease Receivable and Deferred Inflow of Resources

The Town is a lessor for a noncancellable lease of water towers. The Town recognizes a lease receivable and a deferred inflow of resources in the enterprise fund financial statements. At the commencement of a lease, the Town initi

measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Town determines: (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses an estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.
- The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Fund Balances

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

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the Town, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Town Manager, who has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

Restricted Amounts

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

Minimum Fund Balance Policy

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

Estimates

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

Change in Accounting Principle

During fiscal year 2026, the Town adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. This new standard redefined operating and nonoperating revenues and expenses, definitions of which are included below. As a result, certain prior year amounts have been reclassified with the current year presentation.

The Town distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The statements distinguish *operating* revenues and expenses from *noncapital* subsidies, and other *nonoperating* revenues and expenses. Nonoperating revenues and expenses are any (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. A *subsidy* represents amounts received from or provided to another party or fund of the Town. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the proprietary fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the proprietary charging higher fees in the future. A capital subsidy is a resource received or provided in a transaction where no goods or services are exchanged, and the provider has limited the use of the resources to the acquisition, construction, or debt service of capital assets. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

Note 2 – Deposits and Investments

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; "prime quality" commer

paper and certain corporate notes; banker's acceptances; repurchase agreements; the Virginia State Non-Arbitrage Program (SNAP); and the State Treasurer's Local Government Investment Pool (LGIP).

The Town had no investments at June 30, 2026.

At June 30, the deposit and investment balances are as follows:

	Fair Value
Deposits	
Demand deposits	$ 5,682,410
Investments	4,396,088
Certificates of deposit	187,422
Cash on hand	200
Total deposits and investments	**$ 10,266,120**

Deposits and investments are presented on the statement of net position as follows:

Cash and cash equivalents – primary government	$ 10,256,027
Cash and cash equivalents – component unit	10,093
Total deposits and investments	**$ 10,266,120**

Note 3 – Receivables

Receivables are as follows:

	Governmental Activities	Business-Type Activities	Total
Receivables			
Taxes	$ 216,827	$ -	$ 216,827
Accounts	43,001	219,783	262,784
Gross receivables	259,828	219,783	479,611
Less allowance for uncollectibles	(66,892)	(8,811)	(75,703)
Net receivables	**$ 192,936**	**$ 210,972**	**$ 403,908**

Note 4 – Sale of Future Rent Revenues

During the year ended June 30, 2014, the Town entered into an agreement with AP Wireless I, LLC, under which the Town assigned its rights and title to future rent revenues under existing lease agreements with four cell phone service providers for fifty years (ending June 30, 2064). The Town received total payments of $1,015,000.

The total proceeds have been recorded as a deferred inflow of resources in the Town's business-type activities and water fund. The proceeds will be recognized as revenues over the fifty-year life of the agreement.

The Town assigned approximately $1,421,000 of future rents based on the existing lease agreements with terms ending between 2026 to 2039. All four leases have increases tied to the consumer price index, which for purposes of this calculation has been assumed to increase 3% annually. These rent revenues assigned constitute all of the Town's rental revenues related to water tower sites. The estimated present value of the rent revenues under the existing leases,

assuming a 4% interest rate and even collections over 25 years, is approximately $771,400. No assumptions were made regarding future renewals.

Under the terms of the assignment agreement, AP Wireless can negotiate renewals with the existing companies. Renewals cannot be longer than the term of the assignment agreement. Should AP Wireless negotiate a renewal rate that is higher than the current inflationary rates built into the existing leases, the Town would be eligible to receive excess rents under a formula detailed in the assignment agreement. However, absent excess rents as described, the Town is not entitled to additional funds when existing leases are renewed. Additionally, under the terms of the agreement, the Town can obtain new customers/tenants on the properties and would be entitled to all of the revenues from those leases.

Note 5 – Due from Other Governments

Amounts due from other governmental units in governmental activities total $26,591, which consists of amounts due from County of Appomattox for sales tax and amounts due from the State for various taxes.

Amounts due from other governmental units in the business-type activities are related to the grant reimbursements under the Southeast Rural Community Assistance Project grant. The Town expects to receive reimbursement for their expenditures related to this project from the awarded grants. Current year outstanding reimbursement totaled $65,715, for which the Town expects full reimbursement.

Note 6 – Transfers

Interfund transfers consist of the following:

	Transfers In	Transfers Out	Net Transfers
Governmental Fund			
General Fund	$ -	$ (43,558)	$ (43,558)
	$ -	**$ (43,558)**	**$ (43,558)**
Enterprise Funds			
Water Fund	$ 43,558	$ -	$ 43,558
	$ 43,558	**$ -**	**$ 43,558**

Transfers are used to move revenues from the fund where statute or budget requires collection to the fund that statute or budget requires expenditure. The net transfers of the governmental fund are equivalent to the net transfers of the enterprise funds. Transfers are made to reimburse funds for costs paid by the fund being reimbursed or to move funds belonging to the recipient fund.

Note 7 – Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated				
Land	$ 118,749	$ -	$ -	$ 118,749
Construction in progress	58,810	359,568	418,378	-
Total capital assets, not depreciated	177,559	359,568	418,378	118,749
Capital assets, depreciated				
Buildings and improvements	2,229,099	1,217,178	798,800	2,647,477
Machinery and equipment	1,524,273	38,785	-	1,563,058
Lease assets –equipment	64,219	6,506	-	70,725
Subscription asset – software	9,866	-	9,866	-
Total capital assets, depreciated	3,827,457	1,262,469	808,666	4,281,260
Less accumulated depreciation for				
Buildings and improvements	864,231	77,964	-	942,195
Machinery and equipment	893,184	156,975	-	1,050,159
Lease assets – equipment	38,532	13,355	-	51,887
Subscription asset – software	9,044	822	9,866	-
Total accumulated depreciation	1,804,991	249,116	9,866	2,044,241
Total capital assets, depreciated, net	2,022,466	1,013,353	798,800	2,237,019
Governmental activities capital assets, net	**$ 2,200,025**	**$ 1,372,921**	**$ 1,217,178**	**$ 2,355,768**

Business-Type Activities	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated				
Land	$ 64,710	$ -	$ -	$ 64,710
Construction in progress	3,986,222	109,492	3,936,067	159,647
Total capital assets, not depreciated	4,050,932	109,492	3,936,067	224,357
Capital assets, depreciated				
Utility plant in service	25,637,628	4,156,622	-	29,794,250
Machinery and equipment	795,997	40,979	-	836,976
Lease assets – equipment	2,871	-	-	2,871
Total capital assets, depreciated	26,436,496	4,197,601	-	30,634,097
Less accumulated depreciation for				
Utility plant in service	11,343,544	722,169	-	12,065,713
Machinery and equipment	497,750	83,481	-	581,231
Lease assets – equipment	1,723	574	-	2,297
Total accumulated depreciation	11,843,017	806,224	-	12,649,241
Total capital assets, depreciated, net	14,593,479	3,391,377	-	17,984,856
Business-type activities capital assets, net	**$ 18,644,411**	**$ 3,500,869**	**$ 3,936,067**	**$ 18,209,213**

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 199,651
Public works	30,107
Community development	19,358
Total depreciation and amortization expense – governmental activities	**$ 249,116**
Business-type activities:	
Water	$ 185,325
Sewer	620,899
Total depreciation and amortization expense – business-type activities	**$ 806,224**

Note 8 – Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bond	$ 5,211	$ -	$ 5,211	$ -	$ -
Compensated absences	49,026	5,119*	-	54,145	20,034
Leases	26,721	6,507	13,698	19,530	14,805
	$ 80,958	**$ 11,626**	**$ 18,909**	**$ 73,675**	**$ 34,839**
Business-type activities:					
General obligation bond	$ 5,215,350	$ -	$ 160,689	$ 5,054,661	$ 116,469
Compensated absences	16,797	403*	-	17,200	6,364
Leases	1,195	-	589	606	606
	$ 5,233,342	**$ 403**	**$ 161,278**	**$ 5,072,467**	**$ 123,439**

*The change in the compensated absences liability is presented as a net change.

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

	Governmental Activities	
	Leases	
Fiscal Year	Principal	Interest
2027	$ 14,805	$ 326
2028	1,282	90
2029	1,310	62
2030	1,339	33
2031	794	5
	$ 19,530	**$ 516**

	Business-Type Activities			
	General Obligation Bond		Leases	
Fiscal Year	Principal	Interest	Principal	Interest
2027	$ 116,469	$ 72,564	$ 606	$ 9
2028	113,383	71,081	-	-
2029	115,119	69,345	-	-
2030	116,765	67,699	-	-
2031	118,436	66,028	-	-
2032-2036	617,949	304,371	-	-
2037-2041	663,539	258,511	-	-
2042-2046	713,163	209,157	-	-
2047-2051	766,417	155,903	-	-
2052-2056	823,883	98,437	-	-
2057-2061	804,460	36,609	-	-
2062-2064	85,078	1,333	-	-
	$ 5,054,661	**$ 1,411,038**	**$ 606**	**$ 9**

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General obligation bonds:						
USDA - Sewer	1.25%	11-20	11-60	3,780,000	**$ -**	**$ 3,494,376**
USDA - Water	2.13%	08-23	08-63	1,156,000	**$ -**	**$ 1,087,485**
USDA - Water	1.38%	08-23	08-63	500,000	**$ -**	**$ 472,800**

Note 9 – Leases

Town as Lessee

The Town, as a lessee, has entered into lease agreements involving printing and copying equipment. The Town uses its incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. These leases include monthly payments of $1,198 and $114, respectively, and interest rates of 2.84% and 2.16%, respectively. The value of the right-to-use lease asset balances and related accumulated amortization at year end is disclosed in Note 7. The related debt as well as principal and interest requirements to maturity is disclosed in Note 8.

Town as Lessor

The Town, as a lessor, has entered into lease agreements involving water towers. The water towers are leased by Lumos Networks and PEG Bandwidth. Monthly rent payments range from $358 to $380 and interest rates range from 2.96% to 3.43%. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was $9,055. This total includes variable and other payments not previously included in the measurement of the lease receivable.

Lease	Contract Date	Maturity Date
Lumos Networks – Water tower*	10/10/2014	10/01/2026
PEG Bandwidth – Water tower*	05/21/2015	03/31/2044

* Contract includes option years that are reflected in maturity date.

Note 10 – Subscriptions

The Town has a subscription for software that creates open lines of communication with local government agencies and citizens. This subscription includes annual payments of $4,000 and an interest rate of 3.48%. The Town uses its incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in the subscription. The right-to-use subscription asset balance, which was disposed of in the current year, is disclosed in Note 7. The related debt was fully repaid in fiscal year 2025.

Note 11 – Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Appomattox, Virginia, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Members
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	4
Non-vested inactive members	15
Inactive members active elsewhere in VRS	11
Total inactive members	30
Active members	20
Total covered employees	**63**

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.

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2026 was 7.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Political Subdivision were $87,622 and $72,395 for the years ended June 30, 2026 and 2025, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $4,799 for the year ended June 30, 2026. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $4,387 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled $543,480 for the year ended June 30, 2026.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2024, 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, 2025.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2021 Improvement Scale with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2024 valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

General Employees – Non-Metro – Non-Hazardous Duty: Maintained mortality table with adjustments; moved retirement and termination rates to the way of the observed experience; moved disability rates to the way of the observed experience to maintain margin; increased Merit & Longevity on the salary scale; and no change to discount rate.

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00	5.09	0.81
Credit Strategies	16.00	8.21	1.31
Real Assets	15.00	7.10	1.07
Private Equity	15.00	8.60	1.29
PIP – Private Investment Partnership	1.00	7.95	0.08
Diversifying Strategies	6.00	6.82	0.41
Cash	2.00	4.07	0.08
Leverage	(3.00)	4.57	(0.14)
Total	100.00%		7.02%
*Expected arithmetic nominal return			**7.02%**

* The above allocation provides for a one-year return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, Political Subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2025, the employer contribution was 100% of the actuarially determined employer contribution rate from the June 30, 2024 actuarial valuations. From July 1, 2025 on, participating employers are assumed to continue 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	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2024	$ 4,216,993	$ 4,029,685	$ 187,308
Changes for the year			
Service cost	105,536	-	105,536
Interest	283,646	-	283,646
Change in Assumptions	20,031	-	20,031
Differences between expected and actual experience	109,390	-	109,390
Contributions – employer	-	72,295	(72,295)
Contributions – employee	-	43,430	(43,430)
Net investment income	-	419,797	(419,797)
Benefit payments, including refund of employee contributions	(240,720)	(240,720)	-
Administrative expenses	-	(2,427)	2,427
Other changes	-	108	(108)
Net changes	277,883	292,483	(14,600)
Balances at June 30, 2025	**$ 4,494,876**	**$ 4,322,168**	**$ 172,708**

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Political Subdivision using the discount rate of 6.75%, as well as what the Political Subdivision's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Political Subdivision's net pension liability (asset)	**$ 756,584**	**$ 172,708**	**$ (301,650)**

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

For the year ended June 30, 2026, the Political Subdivision recognized a pension expense of $167,351. At June 30, 2026, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 63,985	$ -
Change in Assumptions	10,926	-
Net difference between projected and actual earnings on pension plan investments	-	137,208
Employer contributions subsequent to the measurement date	87,622	-
	$ 162,533	**$ 137,208**

The $87,622 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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2027	$ 60,288
2028	(39,434)
2029	(52,733)
2030	(30,418)
2031	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2025-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2026, approximately $4,700 was payable to the Virginia Retirement System for the legally required contributions related to June 2026 payroll.

Note 12 – Other Postemployment Benefits Liability – Virginia Retirement System Plan

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in a multi-employer, cost-sharing other postemployment benefit plan, described as follows.

Plan Description

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at https://www.varetire.org/benefits-and-programs/benefits/life-insurance/.

The GLI program is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple-employer, cost-sharing plan.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, with the exception of GLI, which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2026 Contribution	$5,469
June 30, 2025 Contribution	$5,551

OPEB Liability, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2025 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2024 and rolled forward to the measurement date of June 30, 2025. The covered employer's proportion of the net OPEB liability was based on the covered employe

actuarially determined employer contributions for the year ended June 30, 2025 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2026 proportionate share of liability	$	33,580
June 30, 2025 proportion		0.00349%
June 30, 2024 proportion		0.00401%
June 30, 2026 expense	$	2,299

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amounts from changes in proportion.

At June 30, 2026, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,957	$ 632
Change in assumptions	-	1,099
Net difference between projected and actual earnings on OPEB plan investments	-	4,699
Changes in proportion	481	5,304
Employer contributions subsequent to the measurement date	5,469	-
	$ 11,907	**$ 11,734**

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ending June 30,	Effect on OPEB Expense
2027	$ (835)
2028	(1,501)
2029	(1,207)
2030	(1,141)
2031	(611)
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2024, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

Net OPEB Liabilities

The net OPEB liability represents each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2025, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	$ 4,433,282
Plan fiduciary net position	3,471,094
Employers' net OPEB liability	962,188
Plan fiduciary net position as a percentage of total OPEB liability	78.30%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

<u>Group Life Insurance</u>

The long-term expected rate of return on VRS investments was determined as described in Note 11.

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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, 2025, the rate contributed by the employer for the OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2025 on, participating employers are assumed to contribute 10

of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	**$ 56,649**	**$ 33,580**	**$ 14,970**

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/media/shared/pdf/publications/2025-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13 – Property Taxes

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

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

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section §6621(b). The effective tax rates per $100 of assessed value for the year ended June 30, 2026 were as follows:

Real estate	$ 0.11
Personal property	0.45
Machinery and tools	0.45

Note 14 – Service Contracts

Water Purchase Agreement

The Town entered into an agreement with the County of Appomattox, Virginia whereby the Town will purchase all water to supply the Town's customers from the County through the Concord-Appomattox 460 Waterline. The County agrees to provide the Town up to 250,000 gallons of water per day, with additional water available provided the County has capacity. The contract further provides that all County residents who are customers of the Town's water system now and in the

future will receive services at the same rate the Town charges in-Town customers. The provisional rate charged to the Town each fiscal year is based on the estimated usage for the year. The Town is billed monthly for usage. Annually, subsequent to year end, usage will be analyzed, the average daily usage will be determined, and any necessary true-up of billings will be made at that time. This true-up adjustment is not estimable and is therefore accounted for in the year it is charged to the Town. The initial term of this agreement is January 1, 2012 through December 31, 2030, with automatic ten year renewals thereafter, unless either party provides notice of intent to terminate at least two years prior to any expiration.

Water Maintenance Agreement

Along with the water purchase agreement, the Town entered into a maintenance and service agreement with the County of Appomattox, Virginia for waterlines constructed by the County. The Town agrees to operate and maintain the County water system using the same standard of care and expertise as it operates its own system and in accordance with the requirements of the Virginia Waterworks Regulations. This includes maintaining the required inventory of spare parts to maintain the County water system and providing services such as utility marking, water tank inspections, and maintenance of the water tank, pump station, and their respective ground areas. The initial term of this agreement is January 1, 2012 through December 31, 2016, with automatic two five year renewals thereafter, unless either party provides notice of intent to terminate at least six months prior to any expiration. At the end of the term including the renewals, the Town can purchase the water system from the County for the sum of $1. The Town intends to purchase the water system from the County in fiscal year 2027.

Note 15 – Risk Management

The Town is insured for workers' compensation, general liability, and other risks.

Workers' Compensation Insurance is provided through the Virginia Risk Sharing Association. During the year ended June 30, 2026, total premiums paid were $17,664. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section §65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General liability and other insurance is provided through policies with the Virginia Risk Sharing Association. General liability and business automobile coverage have a $1,000,000 limit per occurrence. Boiler and machinery have a $3,000,000 limit. Property insurance is covered per statement of values and is approximately $8,400,000. Police professional liability and public officials' liability insurance with a $1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2026 were $44,688.

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

Note 16 – Fund Balances

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

	General
Non-spendable:	
Prepaid expenses	$ 24,035
Committed for:	
Public safety	59,944
Public works	300,000
Other capital projects	814
Total committed	360,758
Unassigned	6,466,634
Total fund balances	**$ 6,851,427**

Note 17 – Commitments and Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Town management believes disallowances, if any, would not be material to the financial position of the Town.

Note 18 – New Accounting Standards

In December 2025, the GASB issued **Statement No. 105**, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing the consistency in their application and better meeting the information needs of financial statement users. This statement also clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Required Supplementary Information

Town of Appomattox, Virginia

Exhibit 12

Required Supplementary Information –
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund

Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual Amounts Budgetary (and GAAP)	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Basis	Actual
REVENUES					
General property taxes	$ 273,500	$ 273,500	$ -	$ 296,205	$ 22,705
Other local taxes	2,472,100	2,472,100	-	2,526,734	54,634
Permits, privilege fees, and regulatory licenses	2,500	2,500	-	1,075	(1,425)
Revenue from use of money and property	27,000	27,000	-	81,162	54,162
Other	440,727	925,903	485,176	102,018	(823,885)
Intergovernmental	101,107	121,018	19,911	514,225	393,207
Total revenues	3,316,934	3,822,021	505,087	3,521,419	(300,602)
EXPENDITURES					
Current					
General government administration	1,089,332	1,163,428	74,096	1,015,568	147,860
Public safety	282,826	304,389	21,563	308,304	(3,915)
Public works	1,635,320	2,069,070	433,750	1,511,164	557,906
Community development	306,565	282,243	(24,322)	228,279	53,964
Debt service					
Principal retirement	2,891	2,891	-	18,909	(16,018)
Interest and other fiscal charges	-	-	-	632	(632)
Total expenditures	3,316,934	3,822,021	505,087	3,082,856	739,165
Excess of revenues over expenditures	-	-	-	438,563	(1,039,767)
OTHER FINANCING SOURCES (USES)					
Issuance of leases	-	-		6,507	6,507
Transfers out	-	-	-	(43,558)	43,558
Total other financing sources (uses)	-	-	-	(37,051)	50,065
Net change in fund balance	**$ -**	**$ -**	**$ -**	**$ 401,512**	**$ (989,702)**

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

Town of Appomattox, Virginia

Required Supplementary Information –
Notes to Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2026

Note 1 – Budgetary Basis of Accounting

The budget was prepared on the modified accrual basis of accounting. The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

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

Note 2 – Original Budget Compared to Final Budget

The following variances between original budget and final budget are considered significant.

	Original Budget	Final Budget	Variance with Original Budget Over (Under) Final Budget	Explanation
BUDGETARY REVENUES				
Other	$ 440,727	$ 925,903	$ 485,176	The final budget for other revenues increased by $400,000 as the Town was awarded a grant from Virginia Housing during the fiscal year after the original budget was adopted. The grant is to aid in demolition and renovation costs of a former garment factory that will be turned into additional housing.
BUDGETARY EXPENDITURES				
Public works	1,635,320	2,069,070	433,750	The final budget for public works expenditures increased by $406,000 for anticipated demolition and renovation expenditures of a former garment factory that will be turned into additional housing.

Note 3 – Final Budget Compared to Actual Results

The following variances between final budget and actual are considered significant.

	Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Budget Over (Under) Actual Amounts	Explanation
BUDGETARY REVENUES				
Revenue from use of money and property	27,000	81,162	54,162	Revenue from use of money and property exceeded the final budget primarily due to higher-than-anticipated interest rates, which resulted in increased interest earnings.
Other	925,903	102,018	(823,885)	The final budget includes a $400,000 grant as noted above in the original budget compared to final budget. The Town did not receive these funds as anticipated during the fiscal year and will carry forward the funds. The final budget also includes $517,503 for use of undesignated fund balance. The Town did not need to use this as actual fund revenues exceeded their expectation.

Town of Appomattox, Virginia

Required Supplementary Information –
Notes to Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2026

	Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Budget Over (Under) Actual Amounts	Explanation
Intergovernmental	121,018	514,225	393,207	Actual intergovernmental revenues exceeded the final budget primarily due to the recognition of approximately $403,000 in American Rescue Plan Act (ARPA) funding that was not included in the final revenue budget. The Town previously budgeted all ARPA funding in past fiscal years and the actual amount represents the revenue earned in fiscal year 2026.
BUDGETARY EXPENDITURES				
General governmental administration	1,163,428	1,015,568	147,860	Actual general governmental activities expenditures were below the final budget as fewer legal services were needed than previously anticipated. There were also fewer engineering professional services needed than previously anticipated due to timing of projects.
Public works	2,069,070	1,511,164	557,906	Actual public works expenditures were below the final budget as the final budget includes $406,000 as noted above in the original budget compared to the final budget. The Town anticipated costs associated with the demolition and renovation of a former garment factory to start in fiscal year 2026, but this project will be carried forward into the next fiscal year. There were also vacancies and turnover within the public works department which were not immediately filled. This resulted in approximately $121,000 fewer of anticipated costs included in the final budget, but not the actual expenditures.
Community development	282,243	228,279	53,964	Actual community development expenditures were below the final budget primarily due to lower-than-anticipated costs for fireworks and Christmas décor. The Town had budgeted for higher fireworks costs associated with the United States' 250th anniversary celebration; however, actual costs were less than anticipated.
BUDGETARY OTHER FINANCING SOURCES (USES)				
Transfers out	-	(43,558)	43,558	Actual transfers out represent ARPA funding used to fund expenditures of the Water Fund. The Town budgeted the anticipated use of ARPA funds in prior fiscal years; however, a portion of the related expenditures were incurred in fiscal year 2026, resulting in the transfer recognized during the current year.

Town of Appomattox, Virginia

Exhibit 13

Required Supplementary Information
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
June 30, 2026

	Plan Year			
	2025	**2024**	**2023**	**2022**
Total Pension Liability				
Service cost	$ 105,536	$ 104,574	$ 94,874	$ 80,079
Interest on total pension liability	283,646	257,208	222,705	211,484
Difference between expected and actual experience	109,390	220,212	307,506	(38,915)
Changes in assumptions	20,031	-	-	-
Benefit payments, including refunds of employee contributions	(240,720)	(141,845)	(105,391)	(97,029)
Net change in total pension liability	277,883	440,149	519,694	155,619
Total pension liability – beginning	4,216,993	3,776,844	3,257,150	3,101,531
Total pension liability – ending	4,494,876	4,216,993	3,776,844	3,257,150
Plan Fiduciary Net Position				
Contributions – employer	72,295	49,449	45,867	44,019
Contributions – employee	43,430	49,226	45,837	42,012
Net investment income (loss)	419,797	360,768	228,177	(4,585)
Benefit payments, including refunds of employee contributions	(240,720)	(141,845)	(105,391)	(97,029)
Administrative expenses	(2,427)	(2,313)	(2,230)	(2,172)
Other	108	79	92	82
Net change in plan fiduciary net position	292,483	315,364	212,352	(17,673)
Plan fiduciary net position – beginning	4,029,685	3,714,321	3,501,969	3,519,642
Plan fiduciary net position – ending	4,322,168	4,029,685	3,714,321	3,501,969
Net pension liability (asset) – ending	**$ 172,708**	**$ 187,308**	**$ 62,523**	**$ (244,819)**
Plan fiduciary net position as a percentage of total pension liability	**96%**	**96%**	**98%**	**108%**
Covered employee payroll	**$ 961,417**	**$ 1,028,083**	**$ 958,446**	**$ 945,970**
Net pension liability (asset) as a percentage of covered employee payroll	**18%**	**18%**	**7%**	**-26%**

The plan years above are reported in the Town's financial statements in the fiscal year following the plan year – i.e., plan year 2016 information was presented in the Town's fiscal year 2017 financial report.

Exhibit 13

Plan Year					
2021	**2020**	**2019**	**2018**	**2017**	**2016**
$ 82,464	$ 77,302	$ 77,132	$ 49,858	$ 67,024	$ 61,255
192,351	178,570	162,156	152,432	140,760	131,061
(44,955)	23,502	74,409	8,011	74,216	20,799
61,375	-	86,696	-	(42,148)	-
(78,699)	(71,722)	(71,118)	(71,663)	(74,563)	(74,555)
212,536	207,652	329,275	138,638	165,289	138,560
2,888,995	2,681,343	2,352,068	2,213,430	2,048,141	1,909,581
3,101,531	2,888,995	2,681,343	2,352,068	2,213,430	2,048,141
41,739	46,614	44,899	43,920	34,348	33,126
39,908	39,476	37,370	36,665	28,588	48,924
759,722	51,738	170,017	173,363	255,629	37,234
(78,699)	(71,722)	(71,118)	(71,663)	(74,563)	(74,555)
(1,835)	(1,710)	(1,622)	(1,459)	(1,458)	(1,259)
72	(62)	(108)	(156)	(228)	(15)
760,907	64,334	179,438	180,670	242,316	43,455
2,758,735	2,694,401	2,514,963	2,334,293	2,091,977	2,048,522
3,519,642	2,758,735	2,694,401	2,514,963	2,334,293	2,091,977
$ (418,111)	**$ 130,260**	**$ (13,058)**	**$ (162,895)**	**$ (120,863)**	**$ (43,836)**
113%	**95%**	**100%**	**107%**	**105%**	**102%**
$ 974,814	**$ 822,462**	**$ 757,569**	**$ 755,882**	**$ 597,359**	**$ 553,179**
-43%	**16%**	**-2%**	**-22%**	**-20%**	**-8%**

Town of Appomattox, Virginia

Required Supplementary Information
Schedule of Pension Contributions
June 30, 2026

Town Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 87,622	$ 87,622	$ -	$ 1,163,639	7.53 %
2025	72,395	72,395	-	961,417	7.53
2024	49,449	49,449	-	1,028,083	4.81
2023	45,943	45,943	-	958,446	4.79
2022	45,149	45,149	-	945,970	4.77
2021	41,783	41,783	-	974,814	4.29
2020	46,614	46,614	-	822,462	5.67
2019	44,899	44,899	-	757,569	5.93
2018	43,920	43,920	-	755,882	5.81
2017	34,852	34,852	-	597,359	5.83

The covered payroll amounts above are for the Town's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this schedule.

Town of Appomattox, Virginia

Required Supplementary Information
Schedule of Employer's Share of Net OPEB Liability – VRS
June 30, 2026

Town Plan Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance					
2025	0.00349 %	$ 33,580	$ 961,417	3.49 %	78.30 %
2024	0.00401	44,748	1,028,083	4.35	73.41
2023	0.00407	48,812	958,446	5.09	69.30
2022	0.00401	48,284	945,970	5.10	67.21
2021	0.00400	46,572	974,814	4.78	67.45
2020	0.00400	66,754	822,462	8.12	52.64
2019	0.00392	64,000	757,569	8.45	52.00

Schedule is intended to show information for 10 years. Since 2019 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the Town's fiscal year.

Town of Appomattox, Virginia

Required Supplementary Information
Schedule of OPEB Contributions – VRS
June 30, 2026

Town Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance					
2026	$ 5,469	$ 5,469	$ -	$ 1,163,639	0.47 %
2025	5,551	5,551	-	961,417	0.58
2024	5,553	5,553	-	1,028,083	0.54
2023	5,176	5,176	-	958,446	0.54
2022	5,195	5,195	-	945,970	0.55
2021	4,456	4,456	-	974,814	0.46
2020	4,278	4,278	-	822,462	0.52

Schedule is intended to show information for 10 years. Since 2020 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the Town's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

Town of Appomattox, Virginia

Notes to Required Supplementary Information

June 30, 2026

Note 1 – Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the "System") benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows for all VRS pension and OPEB plans:

Largest 10 and all others – Non-Hazardous Duty:

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Maintain PUB-2010 tables with adjustments, updates to MP-2021 projection scale multiplied by 75%.
- Retirement Rates – Moved ~25% of the way to the observed experience, on a liability-weighted basis.
- Termination Rates – Moved ~25% of the way to the observed experience, on a liability-weighted basis.
- Disability Rates – Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin.
- Salary Scale – Increase Merit & Longevity 50 basis points.
- Discount Rate – No change.

Additional changes to actuarial assumptions as a result of the experience study and VRS Board action are as follows for specific VRS OPEB plan as noted:

Group Life Insurance:

- Retiree Liability Estimation for Life Only – Change from 1.618% to 2.000%.

Other Supplementary Information

Discretely Presented Component Unit – Appomattox Economic Development Authority

Exhibit 17

Town of Appomattox, Virginia

Discretely Presented Component Unit – Appomattox Economic Development Authority
Statement of Net Position – Proprietary Fund
June 30, 2026

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 10,093
Total assets	10,093
NET POSITION	
Unrestricted	10,093
Total net position	**$ 10,093**

Exhibit 18

Town of Appomattox, Virginia

Discretely Presented Component Unit – Appomattox Economic Development Authority
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
Year Ended June 30, 2026

	Enterprise Fund
OPERATING EXPENSES	
Other operating expenses	$ 3,225
Total operating expenses	3,225
Operating loss	(3,225)
NONOPERATING REVENUES	
Interest income	6
Total nonoperating revenues	6
Change in net position	(3,219)
NET POSITION JULY 1	13,312
NET POSITION JUNE 30	**$ 10,093**

Exhibit 19

Town of Appomattox, Virginia

Discretely Presented Component Unit – Appomattox Economic Development Authority
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2026

	Enterprise Fund
OPERATING ACTIVITIES	
Other operating expenses	$ (3,225)
Net cash used in operating activities	(3,225)
NONCAPITAL FINANCING ACTIVITIES	
Interest received	6
Net cash provided by noncapital financing activities	6
Net decrease in cash and cash equivalents	(3,219)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	13,312
Ending at June 30	**$ 10,093**

Supporting Schedules

Town of Appomattox, Virginia

Schedule 1

Schedule of Revenues – Budget and Actual – General Fund

Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget Over (Under) Actual
Revenue from local sources:					
General property taxes:					
Real property taxes	$ 170,000	$ 170,000	$ -	$ 177,077	$ 7,077
Personal property taxes	94,500	94,500	-	108,770	14,270
Penalties and interest	9,000	9,000	-	10,358	1,358
Total general property taxes	273,500	273,500	-	296,205	22,705
Other local taxes:					
Local sales and use taxes	125,000	125,000	-	153,015	28,015
Consumption taxes	8,000	8,000	-	7,843	(157)
Communications sales and use taxes	4,000	4,000	-	3,945	(55)
Business license taxes	245,000	245,000	-	268,597	23,597
Motor vehicle licenses	35,000	35,000	-	37,742	2,742
Bank stock taxes	215,000	215,000	-	240,713	25,713
Lodging taxes	105,000	105,000	-	98,670	(6,330)
Meals tax	1,600,000	1,600,000	-	1,637,459	37,459
Mobile home titling taxes	100	100	-	-	(100)
Cigarette tax	135,000	135,000	-	78,750	(56,250)
Total other local taxes	2,472,100	2,472,100	-	2,526,734	54,634
Permits, privilege fees, and regulatory licenses:					
Permits and other licenses	2,500	2,500	-	1,075	(1,425)
Revenue from use of money and property:					
Revenue from use of money	21,000	21,000	-	75,562	54,562
Revenue from use of property	6,000	6,000	-	5,600	(400)
Total revenue from use of money and property	27,000	27,000	-	81,162	54,162
Miscellaneous revenue:					
Miscellaneous	440,727	925,903	485,176	102,018	(823,885)
Total revenue from local sources	3,215,827	3,701,003	485,176	3,007,194	(693,809)
Revenue from the Commonwealth:					
Non-categorical aid:					
Auto rental taxes and fees	10,000	25,000	15,000	14,783	(10,217)
Personal property tax relief funds	23,107	23,107	-	23,106	(1)
Total non-categorical aid	33,107	48,107	15,000	37,889	(10,218)
Categorical aid:					
Fire programs	15,000	15,000	-	15,000	-
DCJS grants for law enforcement	53,000	55,161	2,161	55,161	-
Total categorical aid	68,000	70,161	2,161	70,161	-
Total revenue from the Commonwealth	101,107	118,268	17,161	108,050	(10,218)
Revenue from the Federal Government:					
Categorical aid:					
Virginia Risk Sharing Association Risk Management grant	-	2,750	2,750	2,750	-
ARPA – Coronavirus State and Local Fiscal Stabilization Fund	-	-	-	403,425	403,425
Total categorical aid	-	2,750	2,750	406,175	403,425
Total revenue from the Federal Government	-	2,750	2,750	406,175	403,425

Town of Appomattox, Virginia

Schedule 1

Schedule of Revenues – Budget and Actual – General Fund

Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget Over (Under) Actual
Other financing sources					
Issuance of leases	-	-	-	6,507	6,507
Total other financing sources	-	-		6,507	6,507
Total general fund	**$ 3,316,934**	**$ 3,822,021**	**$ 505,087**	**$ 3,527,926**	**$ (294,095)**

Town of Appomattox, Virginia

Schedule 2

Schedule of Expenditures – Budget and Actual – General Fund

Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget Over (Under) Actual
General government administration:					
Legislative:					
Town council	$ 67,153	$ 77,044	$ 9,891	$ 65,511	$ 11,533
General and financial administration:					
Town manager and financial administration	871,179	911,384	40,205	842,691	68,693
Legal services	61,000	75,000	14,000	22,656	52,344
Other professional services	90,000	100,000	10,000	84,710	15,290
Total general and financial administration	1,022,179	1,086,384	64,205	950,057	136,327
Total general government administration	1,089,332	1,163,428	74,096	1,015,568	147,860
Public safety:					
Law enforcement and traffic control:					
Police department	224,826	246,389	21,563	253,304	(6,915)
Fire and rescue services:					
Fire department	58,000	58,000	-	55,000	3,000
Total public safety	282,826	304,389	21,563	308,304	(3,915)
Public works:					
Maintenance of highways, streets, bridges, and sidewalks:					
Street maintenance	1,190,170	1,215,420	25,250	893,995	321,425
Sanitation and waste removal:					
Refuse collection and disposal	175,150	175,150	-	138,668	36,482
Maintenance of general buildings, grounds, and equipment:					
Other properties	270,000	678,500	408,500	478,501	199,999
Total maintenance of general buildings, grounds, and equipment	270,000	678,500	408,500	478,501	199,999
Total public works	1,635,320	2,069,070	433,750	1,511,164	557,906
Community development:					
Planning and community development:					
Tourism	92,023	93,523	1,500	84,078	9,445
Zoning	163,042	137,220	(25,822)	124,315	12,905
Civic organization contributions	51,500	51,500	-	19,886	31,614
Total community development	306,565	282,243	(24,322)	228,279	53,964
Debt service:					
Principal retirement	2,891	2,891	-	18,909	(16,018)
Interest and fiscal charges	-	-	-	632	(632)
Total debt service	2,891	2,891	-	19,541	(16,650)
Other financing uses:					
Transfers out	-	-	-	43,558	(43,558)
Total other financing uses	-	-	-	43,558	(43,558)
Total general fund	**$ 3,316,934**	**$ 3,822,021**	**$ 505,087**	**$ 3,126,414**	**$ 695,607**

Other Information

Town of Appomattox, Virginia

Government-Wide Revenues

Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Totals
2026	$ 1,678,842	$ 247,174	$ 1,267,940	$ 303,520	$ 2,526,734	$ 140,034	$ 181,770	$ 33,863	$ 6,379,877
2025	1,574,894	948,889	1,465,008	276,568	2,572,782	121,025	171,592	32,324	7,163,082
2024	1,529,054	587,673	1,019,219	283,399	2,465,215	93,312	118,911	34,538	6,131,321
2023	1,460,258	295,883	293,280	283,575	2,373,233	51,389	178,435	32,890	4,968,943
2022	1,392,636	127,248	2,858,029	284,417	2,250,311	45,307	226,840	296,908	7,481,696
2021	1,386,370	61,052	279,123	290,148	2,113,903	35,534	257,290	70,710	4,494,130
2020	1,265,851	86,789	229,232	293,819	1,887,305	33,838	189,833	48,279	4,034,946
2019	1,267,548	96,383	103,311	264,865	1,871,916	30,269	205,282	31,013	3,870,587
2018	1,254,666	106,066	1,768,778	264,996	1,842,902	30,464	162,328	34,333	5,464,533
2017	1,238,338	99,175	267,630	278,958	1,838,414	27,172	143,812	31,242	3,924,741

Town of Appomattox, Virginia

Government-Wide Expenses by Function

Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Government Administration	Public Safety	Public Works	Community Development	Interest on Long-Term Debt	Enterprise Funds	Totals
2026	$ 836,419	$ 308,304	$ 2,357,925	$ 247,637	$ 632	$ 2,578,048	$ 6,328,965
2025	1,004,537	222,061	1,795,185	221,417	1,300	1,812,410	5,056,910
2024	424,669	169,972	2,665,635	178,139	1,621	1,832,146	5,272,182
2023	141,398	170,525	1,891,412	160,540	422	1,447,649	3,811,946
2022	669,112	146,649	1,549,037	131,253	497	1,644,824	4,141,372
2021	923,522	142,543	1,196,297	84,711	584	1,532,648	3,880,305
2020	555,242	138,149	1,562,345	175,895	670	1,440,882	3,873,183
2019	584,089	143,074	965,792	152,316	752	1,449,404	3,295,427
2018	554,814	130,692	1,333,019	131,022	759	1,382,800	3,533,106
2017	433,305	129,267	1,165,383	131,832	907	1,348,455	3,209,149

Town of Appomattox, Virginia

General Governmental Revenues by Source

Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Investment Earnings	Inter-Governmental	Other	Totals
2026	$ 296,205	$ 2,526,734	$ 1,075	$ 81,162	$ 514,225	$ 102,018	$ 3,521,419
2025	294,375	2,572,782	600	68,327	981,213	86,325	4,003,622
2024	274,237	2,465,215	2,625	53,840	622,211	53,228	3,471,356
2023	279,045	2,373,233	1,575	28,029	328,773	94,676	3,105,331
2022	277,915	2,250,311	775	24,634	424,156	133,591	3,111,382
2021	283,275	2,113,903	1,400	23,416	134,114	85,634	2,641,742
2020	289,278	1,887,305	15,125	24,139	333,563	45,819	2,595,229
2019	276,737	1,871,916	1,900	22,244	188,648	61,695	2,423,140
2018	269,896	1,842,902	750	22,481	456,468	28,165	2,620,662
2017	265,408	1,838,414	2,325	19,440	351,613	12,554	2,489,754

Town of Appomattox, Virginia

General Governmental Expenditures by Function

Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Government Administration	Public Safety	Public Works	Community Development	Debt Service	Capital Outlay	Totals
2026	$ 1,015,568	$ 308,304	$ 1,511,164	$ 228,279	$ 19,541	$ -	$ 3,082,856
2025	1,017,353	222,061	1,690,445	201,435	20,649	-	3,151,943
2024	874,018	169,972	2,605,513	156,907	21,157	-	3,827,567
2023	706,574	170,525	1,878,286	139,309	7,208	-	2,901,902
2022	711,958	146,649	1,431,221	109,234	2,890	11,915	2,413,867
2021	627,083	142,543	1,018,525	62,620	2,891	243,333	2,096,995
2020	725,900	138,149	1,397,296	153,804	2,890	-	2,418,039
2019	593,501	143,074	925,053	130,225	2,890	-	1,794,743
2018	528,445	130,692	1,377,913	113,204	2,890	-	2,153,144
2017	420,056	129,267	1,210,430	102,519	2,890	-	1,865,162

Town of Appomattox, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Current Tax Collections	Percentage of Levy	Delinquent Tax Collections	Total Tax Collections	Percentage of Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2026	$ 315,722	$ 282,941	89.62 %	$ 2,906	$ 285,847	90.54 %	$ 56,103	17.77 %
2025	301,558	281,382	93.31	1,720	283,102	93.88	50,291	16.68
2024	289,478	261,901	90.47	1,801	263,702	91.10	53,329	18.42
2023	290,754	268,070	92.20	2,870	270,940	93.19	45,106	15.51
2022	293,590	266,411	90.74	2,589	269,000	91.62	37,507	12.78
2021	281,748	271,415	96.33	-	271,415	96.33	36,964	13.12
2020	288,806	273,066	94.55	3,282	276,348	95.69	64,396	22.30
2019	283,601	273,495	96.44	5,835	279,330	98.49	89,782	31.66
2018	282,045	267,660	94.90	10,266	277,926	98.54	96,775	34.31
2017	292,680	267,385	91.36	4,596	271,981	92.93	87,132	29.77

Source: Tax Records of the Town.

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

Town of Appomattox, Virginia

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years
Unaudited

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities		Total Assessed Value
					Real Estate	Personal Property	
2026	$ 164,110,300	$ 28,296,123	$ 1,585,395	$ 664,995	$ 4,429,300	$ -	$ 199,086,113
2025	161,629,900	26,128,329	687,247	759,721	4,483,187	-	193,688,384
2024	160,554,800	24,247,642	677,583	640,137	4,340,421	-	190,460,583
2023	158,566,200	25,232,042	460,321	647,687	5,790,513	-	190,696,763
2022	157,255,700	20,241,754	465,486	648,389	5,423,580	35,957	184,070,866
2021	155,733,600	18,450,606	448,911	574,911	5,290,214	35,957	180,534,199
2020	150,889,500	17,913,329	413,561	683,163	5,062,517	35,957	174,998,027
2019	148,956,400	17,491,567	401,801	658,329	4,670,068	35,957	172,214,122
2018	146,653,200	17,842,282	246,659	629,653	4,808,743	35,957	170,216,494
2017	146,028,900	19,694,582	390,960	620,110	5,488,043	35,957	172,258,552

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

Town of Appomattox, Virginia

Table 7

Property Tax Rates

Last Ten Fiscal Years
Unaudited

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities Real Estate	Public Utilities Personal Property
2026	$ 0.11	$ 0.45	$ 0.45	$ 0.11	$ 0.11	$ -
2025	0.11	0.45	0.45	0.11	0.11	-
2024	0.11	0.45	0.45	0.11	0.11	-
2023	0.11	0.45	0.45	0.11	0.11	-
2022	0.11	0.55	0.55	0.11	0.11	0.55
2021	0.12	0.55	0.55	0.12	0.12	0.55
2020	0.12	0.55	0.55	0.12	0.12	0.55
2019	0.12	0.55	0.55	0.12	0.12	0.55
2018	0.12	0.55	0.55	0.12	0.12	0.55
2017	0.12	0.55	0.55	0.12	0.12	0.55

Table 8

Town of Appomattox, Virginia

Computation of Legal Debt Margin

June 30, 2026

Unaudited

Assessed value of real estate, January 1, 2025		$ 164,110,300
Legal debt limit, (10% of assessed value)		16,411,030
Total bonded debt	$ 5,054,661	
		5,054,661
Legal debt margin		**$ 11,356,369**

Compliance Section

BROWNEDWARDS
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 Honorable Members of Town Council
Town of Appomattox, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the Town of Appomattox, Virginia (the "Town"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 13, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2026-001 that we consider to be a significant deficiency.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2026-002.**

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the findings identified in our audit and are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 13, 2026

Town of Appomattox, Virginia

Summary of Compliance Matters

June 30, 2026

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

State Compliance Matters

Code of Virginia

Cash and Investment Laws
Conflicts of Interest Act
Virginia Retirement System
Procurement Laws

Local Compliance Matters

Town Charter

Town of Appomattox, Virginia

Schedule of Findings and Responses

June 30, 2026

A – Findings – Financial Statement Audit

2026-001 – Segregation of Duties (Significant Deficiency)

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

Criteria: The Town Treasurer is an authorized signer for accounts payable checks, can access the accounts payable module, has access to blank check stock, has general ledger access and manages the main financial application, has administrative access, controls access permissions, and is responsible for reconciling bank accounts. Ideally, all of these functions would be performed by separate individuals. The Treasurer's current functions give them complete access to the disbursement process and could potentially allow them to complete a transaction without the involvement of any other Town employee or a member of Council.

The Office Manager and Customer Service Representative bill water and sewer services, collect water and sewer receipts, and can post adjustments to accounts.

Cause: The size of the Town's staff prohibits complete adherence to segregation of duties.

Effect: Internal controls are designed to safeguard assets and detect losses from employee dishonesty or error.

Recommendation: Steps should be taken to eliminate the performance of conflicting duties where possible. Segregating incompatible functions reduces the risk of exposure to errors and fraud.

Management's Response (Unaudited): We are currently segregated as staffing allows and continue to apply segregation of duties as much as possible with limited staffing. We did implement positive pay procedures during 2026 with our check processing.

B – Findings – Commonwealth of Virginia

2026-002 – Commonwealth of Virginia Disclosure Statements

Condition: One of the seven statement of economic interest forms was filed after the February 1, 2026 deadline.

Criteria: Section 2.2-3115 of the *Code of Virginia* stipulates that certain local government employees are required to file statement of economic interest forms with their respective local body by February 1 for each calendar year.

Cause: Proper controls are not in place to ensure timely receipt of the statement of economic interest forms.

Effect: The Economic Development Authority of the Town of Appomattox, Virginia would not be compliant with Section 2.2-3115 of the *Code of Virginia*.

Town of Appomattox, Virginia

Schedule of Findings and Responses

June 30, 2026

Recommendation Steps should be taken to ensure that these statements are filed and in a timely manner.

Management's Response (Unaudited) We agree with the recommendation and have put in steps to ensure this occurs going forward.



Report on Comments and Suggestions and Required Communications

June 30, 2026

BROWNEDWARDS
certified public accountants

Town of Appomattox, Virginia

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BROWNEDWARDS
certified public accountants

Independent Auditor's Report on Comments and Suggestions

Members of the Town Council
Town of Appomattox, Virginia

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Appomattox, Virginia (the "Town"), as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in circumstances for the purpose of expressing our opinion on the financial statements and to comply with any other applicable standards, such as *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.

If material weaknesses or significant deficiencies were identified during our procedures, they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*** which should be read in conjunction with this report.

Additionally, during our audit, we became aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detailed review of all systems and procedures, these comments should not be considered as being all-inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that these suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The Town's responses to our recommendations are included in this report. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Town of Appomattox, Virginia, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 13, 2026

Town of Appomattox, Virginia

Prior Year Comments on Internal Control and Other Suggestions for Your Consideration

June 30, 2026

Segregation of Duties and Control Environment

One of the more important aspects of any system of internal control is the segregation of duties. In an ideal system of internal controls, no individual would perform more than one duty in connection with any transactions or series of transactions. In particular, no one individual should have access to both physical assets and the related accounting records. Such access may allow errors or irregularities to occur and either not be detected or concealed.

Decisions about controls and processes always should be made in the light of the net benefit of the various solutions – and there may be times when management concludes that the cost of a control is not worth its benefit. However, due to the nature and number of areas where we noted improvements could be made, we believe Council and management should take a closer look at the policies and procedures in place and give careful evaluation to the improvements that could be made to current systems.

Following are some areas where duties are not ideally segregated:

- The Town Treasurer is an authorized signer for accounts payable checks, can access the accounts payable module, has access to blank check stock, has general ledger access and manages the main financial application, has administrative access, controls access permissions, and is responsible for reconciling bank accounts. Ideally, all of these functions would be performed by separate individuals. The Treasurer's current functions give them complete access to the disbursement process and could potentially allow them to complete a transaction without the involvement of any other Town employee or a member of Council.

Current Status: Comment is still applicable for fiscal year 2026, however there are mitigating controls in place. Check signing requires dual signatures from either the Treasurer, Town Manager, Mayor, or Vice Mayor. Also, any bank reconciliation prepared by the Treasurer is reviewed by the Deputy Treasurer and all entries posted by the Treasurer is reviewed by the Deputy Treasurer. Lastly, the Town has implemented positive pay procedures with their check processing starting in fiscal year 2026. Because of the mitigating controls in place, this finding is no longer considered a significant deficiency and has been deemed a control deficiency.

Management's Response: We are currently segregated as staffing allows and continue to apply segregation of duties as much as possible with limited staffing. The Town does mitigate controls by requiring dual signature on checks, and the accounts payable process is initiated prior to presentation for payment to the Treasurer. Financial processes require more than one employee and final review with supporting documentation. Our accounting software permanently identifies any input or changes per transaction by employee's name and reports are available. We have also implemented positive pay procedures with our check processing.

Capital Assets, Completeness of Accounts, and Adequacy of Subsidiary Ledgers

Capital Assets

We recommend that management and Council undertake a complete inventory of assets and review the capital asset listing to determine that all items that are assets of the Town are properly recorded and that there are no items on the listing that have been disposed of. We also recommend the Town evaluate options for maintaining accurate capital asset listings in a format other than an excel spreadsheet. Spreadsheets are susceptible to formula errors, or individuals can

forget to roll key information forward, resulting in mistakes and misstatements. The Town's current accounting software may provide a fixed asset module that the Town can use.

Current Status: Comment is still applicable for fiscal year 2026. However, the Town integrated into the new Edmunds GovTech software in fiscal year 2021 and starting in fiscal year 2027 will use this software to keep track of their assets.

Management's Response: All assets were identified and entered through FY26 to match the Brown Edwards records. In FY26, we partially implemented the software and plan to complete the implementation during fiscal FY27.

Accounting Manual

The Town currently does not have an accounting procedures manual. Written procedures, instructions, and assignment of duties will prevent or reduce misunderstandings, errors; inefficient or wasted effort; duplicated or omitted procedures; and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to assure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management and Council. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management will be likely to discover procedures that can be eliminated or improved to make the system more efficient and effective.

Current Status: Comment is still applicable for fiscal year 2026. The Town has begun work on this manual, but it is not complete.

Management's Response: We are still compiling an accounting manual and incorporating the processes of the new software.

No Information Technology (IT) Department

When a separate department (or individual) does not exist for IT, there is often a need to cross-train and have backups for various functions and to have vendors perform certain functions. Also, required vacations may not be able to be taken as consecutive days or at certain times. While these factors do improve the ability to respond to the Town's needs and can reduce staffing requirements, it also reduces the level of controls that exist when personnel or vendors have access to several stages within the input/processing/output cycles or to access controls. Currently, the Treasurer handles system administrator functions for IT. Having an individual with rights to system administrator's level access, or access to utilities that might be able to modify data, combined with other non-IT functions pose several potential challenges. Often, it is not possible to further segregate the duties based on resource limitations and demands. Additionally, periodic reviews of access rights on the core system should be performed to minimize the risk that individuals may be granted inappropriate access.

We recommend that current cross-training and personnel back-up strategies be considered in terms of controls and determine if reasonable changes can be made to improve controls, or whether additional reviews of system administrator's and other critical logs may be considered necessary. If logs are to be reviewed, often filters can be set up

to reduce the burden of the review. Based on good control structures, an individual who would perform these types of review should not be in a position where they might be reviewing their own work.

Current Status: Comment is still applicable for fiscal year 2026, however, the Town does contract with an external IT consultant as needed.

Management's Response: The Town continues to contract with an external IT consultant as needed.

Disaster Recovery Plan

The Town does not have a formal disaster recovery plan for IT in place to help ensure proper and timely recovery in case of a disaster. We also recommend that this plan be appropriately tested to assist in ensuring its viability. Scenarios should include, but not be limited to, non-availability of key staff and assumed potential unavailability of other resources. The plan should also include protecting and restoring any necessary files that might reside on workstations that are not backed up as part of the regular processes.

Current Status: Comment is still applicable for fiscal year 2026. The Town contracts annually with the Virginia Municipal League Insurance Program for a Cyber Coverage Endorsement. The fiscal year 2026 coverage provided for privacy liability arising from the loss of computer equipment, network security breaches, and human error. A formal plan is not currently in place or in draft for the Town.

Management's Response: The Facilities Project Director will be working with the Town Manager and staff to complete the plan in FY27.

Information Technology

Through the review of the Town's internal controls over the Information Technology ("IT") environment, it was noted that the Town is operating under an informal control structure over the IT system. The Town's IT system is missing formal procedures over common safeguards and security policies including periodic review of documentation/reports concerning access event monitoring for third-party vendor's remote access to network and key applications, documentation of compensating controls for lack of segregation of duties between Treasurer duties and financial system administration and access duties, periodic formal system assessments, documentation of risk evaluation of critical vendors, documentation of IT policies, standards, and procedures (including information security policy), same day access rights removal procedures for all user account access termination requests, penetration testing/vulnerability assessments on a regular/annual basis, and documentation of minimum requirements for software/firmware changes/updates and system acquisitions/development within formal change management policy. Lack of formal procedures over these areas could result in unintended access to financial systems and/or errors in reporting. We recommend the Town identify a committee equivalent for review and approval of information technology plans, security, and priorities. Management should adopt formal processes and procedures to address these matters. The Town should document compensating controls for lack of segregation between financial controller duties and financial system administration and access duties.

Current Status: Comment is still applicable for fiscal year 2026.

Management's Response: The Treasurer has a listing of dates, rights, and access/termination of employees in the financial system since its implementation in 2021. Finance and IT receive the hiring and terminating documentation from Human Resources and the Office Manager before beginning the financial process. No outside vendor or software platforms have been given access to our financial software. Our outside IT vendor routinely performed security testing and employee training. Our accounting software permanently identifies any input or changes per transaction by the employee's name and reports are available.

Town of Appomattox, Virginia

Accounting and Other Matters

June 30, 2026

New GASB Pronouncements

In this section, we would like to make you aware of certain confirmed and potential changes that are on the horizon that may affect your financial reporting and audit.

The GASB issued **Statement No. 105, *Subsequent Events*** in December 2025. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

How the changes in this statement will improve financial reporting: The requirements of this Statement will improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statement users.

How the Board considered costs and benefits in the development of this statement: One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits of implementing this Statement—essential information about certain subsequent events that is more consistent, comparable, relevant, reliable, and understandable—are significant to users of financial statements. The Board believes that, in general, governments will have the information required to be disclosed and that some governments may already disclose that information. The Board also believes that permitting governments to disclose the reason why certain information cannot be disclosed mitigates potential cost concerns. Therefore, the Board believes that the costs associated with the implementation of and ongoing compliance with this Statement will be minimal and that the expected benefits of this Statement justify its perceived costs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

Town of Appomattox, Virginia

Accounting and Other Matters

June 30, 2026

Current GASB Projects

GASB currently has a variety of projects in process. Some of these projects are discussed below.

Going Concern Uncertainties and Severe Financial Stress. The objective of this project is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government's exposure to severe financial stress is necessary to disclose. This project is currently in the initial deliberations period.

Infrastructure Assets. The objective of this project is to address issues related to accounting and financial reporting for infrastructure assets. The project would evaluate standards-setting options related to reporting infrastructure assets to make information (1) more comparable across governments and more consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) better reflect the capacity of those assets to provide service and how that capacity may change over time. This project is currently in the comment review period.

Revenue and Expense Recognition. The objective of this project is to develop a comprehensive application model for the classification, recognition, and measurement of revenues and expenses. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. This project is currently in the re-deliberating preliminary views period.

BROWNEDWARDS
certified public accountants

Required Communications with Those Charged with Governance

Members of the Town Council
Town of Appomattox, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Appomattox, Virginia (the "Town") for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 21, 2026. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Town adopted a new accounting standard for fiscal year 2026: GASB Statement No. 103, *Financial Reporting Model Improvements*. There was no cumulative effect of the accounting change to the beginning of the year balances. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimates of the useful lives of capital assets are based on management's knowledge and judgment, which is based on history.
- Management's estimate of the allocation of certain public works employees' time between the water and sewer and general funds is based on management's knowledge and judgment of how those individuals are spending their time on job assignments.
- Management's estimate of uncollectible accounts is based on account aging and prior experience with collections.
- Management's estimate of the value of inventory is based on current, rather than historical, costs. Management believes current costs to be reasonably close to historical costs.
- The net pension liability and the net OPEB liability are based on actuarial studies provided by actuaries engaged by the Virginia Retirement System.

We evaluated the methods, assumptions, and data used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements include those related to sale of future rent revenues, capital assets, long-term debt, and pension and OPEB disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached audit adjustments were proposed, which were recorded by the Town indicate matters that had a significant effect on the Town's financial reporting process.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2026, a copy of which is attached.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedules identified as required supplementary information (RSI) in the table of contents of the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the financial statements of the Economic Development Authority and Schedules 1 and 2 (Schedules of Revenues and Expenditures – Budget to Actual – General Fund), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and other information sections, which accompany the financial statements but are not RSI. Such 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 it.

Restriction on Use

This information is intended solely for the use of Town Council and management of the Town of Appomattox, Virginia, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 13, 2026

Town of Appomattox, Virginia
Adjusting Journal Entries
Year Ended June 30, 2026

Account	Description	Debit	Credit
Remove ARPA payable - Diversified Integration invoices indicates item was delievered on 7/10/26			
20-2000-0000	ACCOUNTS PAYABLE	29,650.00	
20-5000-0030	WATER FUND EXPENDITURES		29,650.00
Total		**29,650.00**	**29,650.00**
Place sewer CIP item for I&I sewer basin drainage into service and post depreciation			
31-2003-0000	Utility Plant in Service	233,575.32	
31-7000-9100	DEPRECIATION EXPENSE	5,839.38	
31-2002-0000	Construction in Progress		233,575.32
31-2009-0000	Accumulated Depreciation		5,839.38
Total		**239,414.70**	**239,414.70**
Record water SERCAP receivable for reimbursement of Sept 2025 - Jan 2026 expenses			
30-1062-0000	Grant Receivable	41,600.00	
30-3815-0000	SERCAP Grant #1		41,600.00
Total		**41,600.00**	**41,600.00**
Record sewer SERCAP receivable for reimbursement of Nov 2025 - April 2026 expenses			
31-1062-0000	Grant Receivable	24,114.77	
31-3815-0000	SERCAP Grant #2		24,114.77
Total		**24,114.77**	**24,114.77**
Adjust water and sewer OPEB items			
30-1083-0000	Deferred Outflow - OPEB	598.00	
31-1083-0000	Deferred Outflow - OPEB	612.00	
30-1084-0000	OPEB Liability		1.00
30-6000-2040	VRS Life Insurance		597.00
31-7000-2040	VRS Life Insurance		612.00
Total		**1,210.00**	**1,210.00**
Adjust water and sewer pension items			
30-2301-0000	Deferred inflow - Difference earnings VR	1,922.00	
30-6000-2020	VRS	5,319.00	
31-1082-0000	Pension contributions subsequent to year	7,708.00	
31-7000-2020	VRS	14,026.00	
30-1082-0000	Pension contributions subsequent to year		2,179.00
30-2310-0000	New Pension Liability		5,062.00
31-2301-0000	Deferred Inflow - Earnings difference VR		6,429.00
31-2310-0000	New Pension Liability		15,305.00
Total		**28,975.00**	**28,975.00**

P.O. BOX 705
210 LINDEN STREET
APPOMATTOX, VA 24522

PHONE: (434) 352-8268
FAX: (434) 352-2126

www.townofappomattox.com

TOWN MANAGER:
MICHAEL CAMPBELL

TOWN TREASURER:
KIM RAY

MAYOR RICHARD C. CONNER

COUNCIL MEMBERS:
JAMES J. BOYCE, SR.
TIMOTHY W. GARRETT
MCKINLEY CARDWELL
MARY LOU SPIGGLE
JACK HENSLEY
DANIELLE ULMER

CLERK OF COUNCIL
DIANNE TANNER

November 13, 2026

Brown, Edwards, & Company
Certified Public Accountants
828 Main Street, Suite 1401
Lynchburg, VA 24504

This representation letter is provided in connection with your audit of the financial statements of the Town of Appomattox, Virginia, which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 13, 2026, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 21, 2026, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) You have proposed adjusting journal entries that have been posted to the Town's accounts. We are in agreement with those adjustments.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

11) We have provided the planning communication letter to all members of those charged with governance as requested.

Information Provided

12) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15) We have no knowledge of any fraud or suspected fraud that affects the Town and involves:

- Management,
- Employees who have significant roles in internal control,
- Service organizations used by the Town, or
- Others where the fraud could have a material effect on the financial statements.

16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, regulators, or others.

17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

19) We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions, including any side agreements.

Government—specific

20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24) The Town has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

26) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No. 87.

27) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96

28) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

29) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB No. 101.

30) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

31) As part of your audit, you assisted with preparation of the financial statements and related notes and capital asset and depreciation schedules. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and ensured that the Town's data and records are complete and received sufficient information to oversee the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

32) The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

33) The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

34) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest and properly disclose all other joint ventures and other related organizations.

35) The financial statements include all fiduciary activities required by GASBS No. 84, as amended.

36) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended.

37) All funds that meet the quantitative criteria in GASBs No. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

38) Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

39) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

40) Provisions for uncollectible receivables have been properly identified and recorded.

41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

44) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

45) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

46) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

47) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board Statements (GASBS) that are not yet effective, as discussed in the notes to financial statements. The Town is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.

48) We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

49) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

50) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

51) With respect to the supplementary information on which an in-relation-to opinion is issued.

    a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

52) With respect to the other information:

    a) We acknowledge that we have informed you of all documents that may comprise other information we expect to issue. The financial statements and other information you obtained prior to the auditor's report date are consistent with one another, and the other information does not contain any material misstatements.

53) Expenditures of federal awards were below the $1,000,000 threshold in the audit period, and we were not required to have an audit in accordance with the Uniform Guidance

54) We reaffirm the representations made to you in our letter dated November 17, 2025 regarding your audit for the fiscal year ended June 30, 2025.

Signature: _____
Title: Mayor, Town of Appomattox, Virginia

Signature: _____
Title: Town Manager, Town of Appomattox, Virginia

Signature: _____
Title: Deputy Town Clerk, Town of Appomattox, Virginia

Signature: _____
Title: Town Treasurer, Town of Appomattox, Virginia