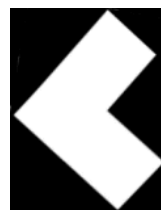


Town of Charlotte Court House, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2023



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

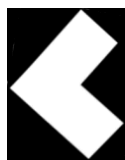
Town of Charlotte Court House, Virginia

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FINANCIAL SECTION



Creedle
Jones
& Associates

A Professional Corporation

Robin B. Jones, CPA, CFP
Kimberly W. Jackson, CPA

Sherwood H. Creedle, Founder

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

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Charlotte Court House, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Charlotte Court House, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Charlotte Court House, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Charlotte Court House, Virginia, as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of Charlotte Court House, Virginia 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 2022 the Town adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and No. 94, Public-Public Partnerships and Availability Payment Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 of Charlotte Court House, Virginia'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 judgement 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 of Charlotte Court House, Virginia'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 of Charlotte Court House, Virginia'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 management's discussion and analysis and budgetary comparison information on pages 1–7 and 33–35 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.

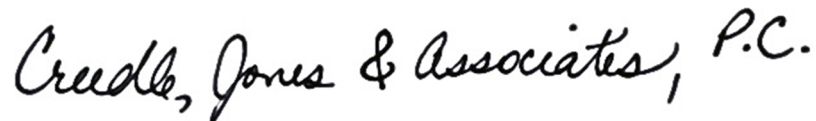
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical section 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 in in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024, on our consideration of the Town of Charlotte Court House, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Charlotte Court House, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Charlotte Court House, Virginia's internal control over financial reporting and compliance.

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

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

South Hill, Virginia
May 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Charlotte Court House, Virginia presents the following discussion and analysis as an overview of the Town of Charlotte Court House, Virginia's financial activities for the fiscal year ending June 30, 2023. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,240,388. Of this amount, \$589,197 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$2,496,764 with an unrestricted balance of \$12,013.
- The Town's total net position increased by \$157,489 during the current fiscal year. Of this amount, a decrease of \$4,065 is related to governmental activities and an increase of \$161,554 is attributed to business-type activities.
- As of June 30, 2023, the Town's Governmental Funds reported combined ending fund balances of \$573,312, an increase of \$8,077 in comparison with the prior year. Approximately 100% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2023, the general fund unassigned fund balance was \$573,312, or approximately 322.8% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Current and other assets	\$ 592,408	\$ 576,779	\$ 19,538	\$ 46,511	\$ 611,946	\$ 623,290
Capital assets (net)	<u>651,191</u>	<u>668,838</u>	<u>3,415,005</u>	<u>3,269,548</u>	<u>4,066,196</u>	<u>3,938,386</u>
Total Assets	<u>\$ 1,243,599</u>	<u>\$ 1,245,617</u>	<u>\$ 3,434,543</u>	<u>\$ 3,316,059</u>	<u>\$ 4,678,142</u>	<u>\$ 4,561,676</u>
Liabilities						
Other liabilities	\$ 3,211	\$ 1,165	\$ 937,779	\$ 980,849	\$ 940,990	\$ 982,014
Total Liabilities	3,211	1,165	937,779	980,849	940,990	982,014
Net Position						
Net investment in capital assets	651,191	668,838	2,484,751	2,292,736	3,135,942	2,961,574
Unrestricted	<u>589,197</u>	<u>575,614</u>	<u>12,013</u>	<u>42,474</u>	<u>601,210</u>	<u>618,088</u>
Total Net Position	<u>1,240,388</u>	<u>1,244,452</u>	<u>2,496,764</u>	<u>2,335,210</u>	<u>3,737,152</u>	<u>3,579,662</u>
Total Liabilities and Net Position	<u>\$ 1,243,599</u>	<u>\$ 1,245,617</u>	<u>\$ 3,434,543</u>	<u>\$ 3,316,059</u>	<u>\$ 4,678,142</u>	<u>\$ 4,561,676</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues						
Program Revenues						
Charges for services	\$ -	\$ -	\$ 137,844	\$ 138,244	\$ 137,844	\$ 138,244
Operating grants and contributions	199,214	199,214	-	20,796	199,214	220,010
General Revenues						
General property taxes, real and personal	46,411	40,129	-	-	46,411	40,129
Other taxes	111,068	111,741	-	-	111,068	111,741
Grants and contributions not restricted to specific programs	7,755	7,798	-	-	7,755	7,798
Use of property	3,300	3,900	-	-	3,300	3,900
Investment earnings	22,983	1,074	-	-	22,983	1,074
Miscellaneous	37,177	32,676	364	778	37,541	33,454
Total Revenues	427,908	396,532	138,208	159,818	566,116	556,350
Expenses						
General government administration	101,076	96,479	-	-	101,076	96,479
Public safety	32,200	31,500	-	-	32,200	31,500
Public works	61,843	53,727	-	-	61,843	53,727
Parks, recreation, and cultural	154	37	-	-	154	37
Water and sewer	-	-	213,354	198,047	213,354	198,047
Total Expenses	195,273	181,743	213,354	198,047	408,627	379,790
Change in Net Position Before Transfers	232,635	214,788	(75,146)	(38,229)	157,489	176,559
Transfers	(236,700)	-	236,700	-	-	-
Change in Net Position	(4,065)	214,788	161,554	(38,229)	157,489	176,559
Beginning Net Position	1,244,453	1,029,665	2,335,210	2,373,439	3,579,663	3,403,104
Ending Net Position	\$ 1,240,388	\$ 1,244,453	\$ 2,496,764	\$ 2,335,210	\$ 3,737,152	\$ 3,579,663

Governmental activities decreased the Town's net position by \$4,065 for fiscal year 2023. Revenues from governmental activities totaled \$427,908. Operating grants and contributions comprise the largest source of these revenues, totaling \$199,214 or 46.6% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$195,273. General government administration was the Town's largest program with expenses totaling \$101,076.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 101,076	\$ (101,076)	\$ 96,479	\$ (96,479)
Public safety	32,200	(17,200)	31,500	(16,500)
Public works	61,843	122,371	53,727	130,486
Parks, recreation, and cultural	<u>154</u>	<u>(154)</u>	<u>37</u>	<u>(37)</u>
Total	<u>\$ 195,273</u>	<u>\$ 3,941</u>	<u>\$ 181,743</u>	<u>\$ 17,470</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$573,312. The combined governmental fund balance increased \$8,077 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$573,312. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 322.8% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2023 and 2022

	2023			2022		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues						
Taxes	\$ 34,950	\$ 34,950	\$ 40,906	\$ 36,000	\$ 36,000	\$ 38,302
Other	97,500	97,500	111,068	92,300	92,300	111,740
Use of money and property	4,400	4,400	26,283	4,800	4,800	4,974
Miscellaneous	28,029	28,029	37,177	27,710	27,710	32,677
Intergovernmental	23,006	23,006	206,969	50,061	50,061	207,012
Total Revenues	187,885	187,885	422,403	210,871	210,871	394,705
Expenditures	178,321	178,321	177,626	296,510	296,510	185,550
Excess (Deficiency) of Revenues over Expenditures	9,564	9,564	244,777	(85,639)	(85,639)	209,155
Other Financing Sources (Uses)						
Transfers In (Out)	(285,000)	(285,000)	(236,700)	(86,500)	(86,500)	-
Net Change in Fund Balance Before Funds from Surplus	(275,436)	(275,436)	8,077	(172,139)	(172,139)	209,155
From Surplus	275,436	275,436	-	172,139	172,139	-
Net Change in Fund Balance After Funds from Surplus	\$ -	\$ -	\$ 8,077	\$ -	\$ -	\$ 209,155

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

Actual revenues were more than final budget amounts by \$234,518, or 124.8%, while actual expenditures were \$695 or 0.4% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2023, the Town's governmental activities net capital assets total \$651,191, which represents a net decrease of \$17,647 or 2.6% over the previous fiscal year-end balance. The business-type activities net capital assets total \$3,415,005, an increase of \$145,457 or 4.4% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	Balance July 1, 2022	Net Additions and Deletions	Balance June 30, 2023
Land and land improvements	\$ 46,000	\$ -	\$ 46,000
Buildings and improvements	90,300	-	90,300
Infrastructure	615,564	-	615,564
Furniture, equipment, and vehicles	12,791	-	12,791
Total Capital Assets	764,655	-	764,655
Less: Accumulated depreciation and amortization	(95,817)	(17,647)	(113,464)
Total Capital Assets, Net	\$ 668,838	\$ (17,647)	\$ 651,191

Business-Type Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land	\$ 12,000	\$ -	\$ 12,000
Buildings and systems	4,495,045	236,732	4,731,777
Furniture, equipment, and vehicles	<u>22,822</u>	<u>-</u>	<u>22,822</u>
Total Capital Assets	4,529,867	236,732	4,766,599
Less: Accumulated depreciation and amortization	<u>(1,260,319)</u>	<u>(91,275)</u>	<u>(1,351,594)</u>
Total Capital Assets, Net	<u>\$ 3,269,548</u>	<u>\$ 145,457</u>	<u>\$ 3,415,005</u>

Long-Term Debt

As of June 30, 2023, the Town's long-term obligations total \$930,254.

Debt Summary	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Virginia Department of Health	\$ 591,628	\$ -	\$ 39,442	\$ 552,186	\$ 39,442
USDA Rural Development	<u>385,184</u>	<u>-</u>	<u>7,116</u>	<u>378,068</u>	<u>7,423</u>
Totals	<u>\$ 976,812</u>	<u>\$ -</u>	<u>\$ 46,558</u>	<u>\$ 930,254</u>	<u>\$ 46,865</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget.

The average unemployment rate for the Town of Charlotte Court House, Virginia in June 2023, which uses Charlotte County's rate, was 3.5%. This compares unfavorably to the state's rate of 2.8% and favorably to the national rate of 3.8%.

According to the 2020 U.S. Census, the population in the Town of Charlotte Court House, Virginia was 756.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2024, which accounts for most of the Town's operational costs. The fiscal year 2024 adopted budget anticipates General Fund revenues and expenditures to be \$299,605 a 59.5% increase over the fiscal year 2023 budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Town of Charlotte Court House, Virginia

Statement of Net Position

At June 30, 2023

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 485,570	\$ 11,827	\$ 497,397
Due from Commonwealth of Virginia - VDOT	90,953	-	90,953
Receivables	<u>15,885</u>	<u>7,711</u>	<u>23,596</u>
Total Current Assets	592,408	19,538	611,946
Noncurrent Assets			
Capital assets, net of accumulated depreciation	<u>651,191</u>	<u>3,415,005</u>	<u>4,066,196</u>
Capital Assets, Net	<u>651,191</u>	<u>3,415,005</u>	<u>4,066,196</u>
Total Noncurrent Assets	<u>651,191</u>	<u>3,415,005</u>	<u>4,066,196</u>
Total Assets	<u>\$ 1,243,599</u>	<u>\$ 3,434,543</u>	<u>\$ 4,678,142</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,973	\$ 4,193	\$ 6,166
Accrued liabilities	1,238	268	1,506
Customer deposits	<u>-</u>	<u>3,064</u>	<u>3,064</u>
Total Current Liabilities	3,211	7,525	10,736
Noncurrent Liabilities			
<i>Due within one year</i>			
Bonds, loans, and other	-	46,865	46,865
<i>Due in more than one year</i>			
Bonds, loans, and other	<u>-</u>	<u>883,389</u>	<u>883,389</u>
Total Noncurrent Liabilities	<u>-</u>	<u>930,254</u>	<u>930,254</u>
Total Liabilities	3,211	937,779	940,990
Net Position			
Net investment in capital assets	651,191	2,484,751	3,135,942
Unrestricted	<u>589,197</u>	<u>12,013</u>	<u>601,210</u>
Total Net Position	<u>1,240,388</u>	<u>2,496,764</u>	<u>3,737,152</u>
Total Liabilities and Net Position	<u>\$ 1,243,599</u>	<u>\$ 3,434,543</u>	<u>\$ 4,678,142</u>

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

Town of Charlotte Court House, Virginia

Statement of Activities

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>
Primary Government					
Governmental Activities					
General government administration	\$ 101,076	\$ -	\$ -	\$ (101,076)	\$ (101,076)
Public safety	32,200	-	15,000	(17,200)	(17,200)
Public works	61,843	-	184,214	122,371	122,371
Parks, recreation, and cultural	154	-	-	(154)	(154)
Total Governmental Activities	195,273	-	199,214	3,941	3,941
Business-Type Activities					
Water and Sewer Fund	213,354	137,844	-		(75,510)
Total Business-Type Activities	213,354	137,844	-		(75,510)
Total Primary Government	<u>\$ 408,627</u>	<u>\$ 137,844</u>	<u>\$ 199,214</u>		(71,569)
General Revenues					
Taxes					
General property taxes, real and personal				46,411	-
Other local taxes				111,068	-
Grants and contributions not restricted to specific programs				7,755	-
Use of property				3,300	-
Investment income				22,983	-
Miscellaneous				37,177	364
Transfers				(236,700)	236,700
Total General Revenues and Transfers				(8,006)	237,064
Change in Net Position				(4,065)	161,554
Net Position - Beginning of Year				1,244,453	2,335,210
Net Position - End of Year				<u>\$ 1,240,388</u>	<u>\$ 2,496,764</u>
					<u>\$ 3,737,152</u>

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

Town of Charlotte Court House, Virginia

Balance Sheet

Governmental Funds

At June 30, 2023

	General Fund
Assets	
Cash and investments	\$ 485,570
Due from Commonwealth of Virginia - VDOT	90,953
Property taxes receivable	<u>15,885</u>
Total Assets	<u>\$ 592,408</u>
Liabilities	
Accounts payable	\$ 1,973
Accrued payroll taxes	<u>1,238</u>
Total Liabilities	3,211
Deferred Inflows of Resources	
Unavailable revenue - property taxes	<u>15,885</u>
Total Deferred Inflows of Resources	15,885
Fund Balance	
Unassigned	<u>573,312</u>
Total Fund Balance	<u>573,312</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 592,408</u>

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

Town of Charlotte Court House, Virginia

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

At June 30, 2023

Total Fund Balances for Governmental Funds	\$	573,312
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue		15,885
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$	46,000
Buildings and improvements, net of accumulated depreciation		<u>605,191</u>

Total Capital Assets		<u>651,191</u>
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Total Net Position of Governmental Activities	\$	<u><u>1,240,388</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Charlotte Court House, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	General Fund
Revenues	
Property taxes	\$ 40,906
Other local taxes	111,068
Use of money and property	26,283
Miscellaneous	37,177
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	22,755
Revenue from the Federal Government	<u>184,214</u>
Total Revenues	422,403
Expenditures	
Current	
General government administration	101,076
Public safety	32,200
Public works	44,196
Parks, recreation, and cultural	<u>154</u>
Total Expenditures	<u>177,626</u>
Excess (Deficiency) of Revenues Over Expenditures	244,777
Other Financing Sources (Uses)	
Transfers in (out)	<u>(236,700)</u>
Total Other Financing Sources (Uses)	<u>(236,700)</u>
Net Change in Fund Balance	8,077
Fund Balance - Beginning of Year	<u>565,235</u>
Fund Balance - End of Year	<u><u>\$ 573,312</u></u>

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

Town of Charlotte Court House, Virginia

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

Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	8,077
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.	5,505
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalization of assets purchased	-
Depreciation	<u>(17,647)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(4,065)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Charlotte Court House, Virginia

Statement of Net Position

Proprietary Fund

At June 30, 2023

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

Assets**Current Assets**

Cash	\$ 11,827
Receivables	<u>7,711</u>

Total Current Assets 19,538

Noncurrent Assets

Capital assets, net	<u>3,415,005</u>
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Total Noncurrent Assets 3,415,005

Total Assets \$ 3,434,543

Liabilities**Current Liabilities**

Accounts payable	\$ 4,193
Accrued liabilities	268
Customer deposits	3,064
Current portion of long-term debt	<u>46,865</u>

Total Current Liabilities 54,390

Long-Term Liabilities

Long-term debt, net of current portion	<u>883,389</u>
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Total Long-Term Liabilities 883,389

Total Liabilities 937,779

Net Position

Net investment in capital assets	2,484,751
Unrestricted	<u>12,013</u>

Total Net Position 2,496,764

Total Liabilities and Net Position \$ 3,434,543

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

Town of Charlotte Court House, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

Year Ended June 30, 2023

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

Operating Revenues

Water and sewer charges	\$ 130,344
Connection fees and reconnection fees	7,500
Miscellaneous income	<u>364</u>

Total Operating Revenues	138,208
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Operating Expenses

Salaries and related expenses	45,595
Repairs	30,186
Insurance	960
Depreciation	91,275
Supplies	10,883
Electricity - wells	9,358
Miscellaneous	<u>9,341</u>

Total Operating Expenses	<u>197,598</u>
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Operating Loss	(59,390)
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Nonoperating Revenues (Expenses)

Interest expense	<u>(15,756)</u>
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Total Nonoperating Revenues (Expenses)	<u>(15,756)</u>
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Loss Before Operating Transfers	(75,146)
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Operating Transfers In	<u>236,700</u>
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Change in Net Position	161,554
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Total Net Position - Beginning of Year	<u>2,335,210</u>
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Total Net Position - End of Year	<u><u>\$ 2,496,764</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Charlotte Court House, Virginia

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2023

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 135,603
Miscellaneous income	364
Payments to personnel and related fringe benefits	(45,477)
Payments to suppliers	<u>(56,638)</u>
Net Cash Provided by Operating Activities	33,852
Cash Flows from Noncapital Financing Activities	
Transfers (to) from other funds	<u>236,700</u>
Net Cash Provided by Noncapital Financing Activities	236,700
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(236,732)
Principal paid on capital debt	(46,558)
Interest paid on capital debt	<u>(15,756)</u>
Net Cash Used in Capital and Related Financing Activities	(299,046)
Cash Flows from Investing Activities	<u>-</u>
Net Cash Provided by Investing Activities	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(28,494)
Cash and Cash Equivalents - Beginning of Year	<u>40,321</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 11,827</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (59,390)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</i>	
Depreciation expense	91,275
<i>Changes in assets and liabilities</i>	
Receivables	(1,521)
Accounts payable	4,090
Accrued liabilities	118
Customer deposits	<u>(720)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 33,852</u></u>

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

Town of Charlotte Court House, Virginia

Notes to the Financial Statements

Year Ended June 30, 2023

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Charlotte Court House, Virginia (the "Town"), which was incorporated in 1874, has a population of approximately 756 living within an area of 2 square miles. The Town is located in the central area of Charlotte County, Virginia. The Town is governed by an elected mayor and a six-member Council with each serving administrative and legislative functions.

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

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

1-A. Financial Reporting Entity

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

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - o **General Fund** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - o **Special Revenue Funds** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2023.
 - o **Capital Projects Funds** – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. There are no Capital Projects Funds as of June 30, 2023.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Custodial Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds as of June 30, 2023.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

1-E-2 Investments

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There was no allowance amount at June 30, 2023.

Real and Personal Property Tax Data

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

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

The Town bills and collects its own property taxes.

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

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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

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

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

1-E-7 Compensated Absences

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

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

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

1-E-8 Fund Equity

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

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

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

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

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

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

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

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

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

Fund Balance Flow Assumptions - Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

1-E-9 Operating Revenues and Expenses

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

1-E-10 Interfund Activity

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

1-E-11 Long-Term Obligations

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

1-E-12 Adoption of New GASB Statements

The Town adopted the following GASB statements during the year ended June 30, 2023:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify

or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

In May 2020, Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal year ending June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

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

Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations for June 30, 2023.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Carrying Amount</u>		
Petty cash	\$	100	
Deposit accounts		<u>497,297</u>	
Total Cash and Cash Equivalents	\$	<u>497,397</u>	

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	<u>\$ 485,570</u>	<u>\$ 11,827</u>	<u>\$ 497,397</u>

4 Receivables

Receivables at June 30, 2023 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities General</u>	<u>Business-Type Activities</u>	<u>Total</u>
Receivables			
Property taxes	\$ 15,885	\$ -	\$ 15,885
Water and sewer	<u>-</u>	<u>7,711</u>	<u>7,711</u>
Total Receivables	<u>\$ 15,885</u>	<u>\$ 7,711</u>	<u>\$ 23,596</u>

5 Interfund Transfers

There were no interfund transfers during the fiscal year.

Primary Government

	<u>Transfer To</u>	<u>Transfer From</u>
General Fund		
To Water and Sewer Fund for capital outlay	\$ 236,700	\$ -
Total General Fund	236,700	-
Water and Sewer Fund		
From General Fund for capital outlay	-	236,700
Total Water and Sewer Fund	-	236,700
Total Transfers	<u>\$ 236,700</u>	<u>\$ 236,700</u>

6 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2023, are as follows:

	<u>Governmental Activities</u>
Commonwealth of Virginia	
VDOT	\$ 90,953
	<u>\$ 90,953</u>

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7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 46,000	\$ -	\$ -	\$ 46,000
Total Capital Assets Not Being Depreciated	46,000	-	-	46,000
Other Capital Assets				
Buildings and improvements	90,300	-	-	90,300
Infrastructure	615,564	-	-	615,564
Furniture, equipment, and vehicles	12,791	-	-	12,791
Total Other Capital Assets	718,655	-	-	718,655
Less: Accumulated depreciation for				
Buildings and improvements	(51,199)	(2,258)	-	(53,457)
Infrastructure	(31,828)	(15,389)	-	(47,217)
Furniture, equipment, and vehicles	(12,790)	-	-	(12,790)
Total Accumulated Depreciation	(95,817)	(17,647)	-	(113,464)
Other Capital Assets, Net	622,838	(17,647)	-	605,191
Net Capital Assets	\$ 668,838	\$ (17,647)	\$ -	\$ 651,191
Depreciation expense was allocated as follows:				
Public works	\$ 17,647			
Total Depreciation Expense	\$ 17,647			

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Business-Type Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 12,000	\$ -	\$ -	\$ 12,000
Total Capital Assets Not Being Depreciated	12,000	-	-	12,000
Other Capital Assets				
Buildings and systems	4,495,045	236,732	-	4,731,777
Equipment, furniture, and fixtures	22,822	-	-	22,822
Total Other Capital Assets	4,517,867	236,732	-	4,754,599
Less: Accumulated depreciation for				
Buildings and systems	(1,247,245)	(89,866)	-	(1,337,111)
Equipment, furniture, and fixtures	(13,074)	(1,409)	-	(14,483)
Total Accumulated Depreciation	(1,260,319)	(91,275)	-	(1,351,594)
Other Capital Assets, Net	3,257,548	145,457	-	3,403,005
Net Capital Assets	\$ 3,269,548	\$ 145,457	\$ -	\$ 3,415,005

8 Compensated Absences

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

9 Long-Term Debt

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

The Town entered into a loan agreement with Rural Development in 2007. The funds were used for water improvements. The original loan was \$438,000 and will be payable over 40 years at 4.125% interest in monthly installments of \$1,906.

PRIMARY GOVERNMENT

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 46,865	\$ 15,449	\$ 62,314
2025	47,177	15,137	62,314
2026	47,502	14,812	62,314
2027	47,840	14,473	62,313
2028	48,194	14,120	62,314
2029-2033	246,805	64,764	311,569
2034-2038	218,702	53,425	272,127
2039-2043	74,867	39,493	114,360
2044-2048	91,983	22,377	114,360
2049-2052	60,319	3,628	63,947
	<u>\$ 930,254</u>	<u>\$ 257,678</u>	<u>\$ 1,187,932</u>

Changes in Long-Term Debt

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

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Virginia Department of Health	\$ 591,628	\$ -	\$ 39,442	\$ 552,186	\$ 39,442
USDA Rural Development	385,184	-	7,116	378,068	7,423
Totals	\$ 976,812	\$ -	\$ 46,558	\$ 930,254	\$ 46,865

10 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2023 is determined as follows:

	Governmental Activities	Business-Type Activities	Total
Net Investment in Capital Assets			
Cost of capital assets	\$ 764,655	\$ 4,766,599	\$ 5,531,254
Less: Accumulated depreciation	(113,464)	(1,351,594)	(1,465,058)
Book value	651,191	3,415,005	4,066,196
Less: Capital related debt	-	(930,254)	(930,254)
Net Investment in Capital Assets	\$ 651,191	\$ 2,484,751	\$ 3,135,942

11 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government - General Fund

Deferred Inflows of Resources

Delinquent taxes not collected within 60 days \$ 15,885

12 Risk Management

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

Surety bond covered is as follows:

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

13 Commitments and Contingencies

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

14 Litigation

At June 30, 2023, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

15 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 31,661,321</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 3,166,132
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>930,254</u>
Legal Debt Margin - June 30, 2023	<u>\$ 2,235,878</u>

Note: Includes all long-term general obligation debt.

16 Upcoming Pronouncements

GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

17 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through May 29, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Charlotte Court House, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 26,000	\$ 26,000	\$ 27,455	\$ 1,455
Personal property taxes	7,500	7,500	11,557	4,057
Merchants capital	450	450	214	(236)
Penalties and interest	<u>1,000</u>	<u>1,000</u>	<u>1,680</u>	<u>680</u>
Total General Property Taxes	34,950	34,950	40,906	5,956
Other Local Taxes				
Utility taxes	11,000	11,000	9,886	(1,114)
Utility BPOL/consumption tax	3,500	3,500	3,681	181
Bank franchise taxes	25,000	25,000	32,070	7,070
Sales taxes	17,000	17,000	18,042	1,042
Motor vehicle taxes	3,700	3,700	4,305	605
Meals taxes	36,000	36,000	41,881	5,881
Business licenses	<u>1,300</u>	<u>1,300</u>	<u>1,203</u>	<u>(97)</u>
Total Other Local Taxes	97,500	97,500	111,068	13,568
Revenue from Use of Money and Property				
Rent income	3,600	3,600	3,300	(300)
Interest earned	<u>800</u>	<u>800</u>	<u>22,983</u>	<u>22,183</u>
Total Revenue from Use of Money and Property	4,400	4,400	26,283	21,883
Miscellaneous				
County payment in lieu of taxes	25,000	25,000	25,000	-
Litter grant - from county	1,329	1,329	1,595	266
Other miscellaneous	<u>1,700</u>	<u>1,700</u>	<u>10,582</u>	<u>8,882</u>
Total Miscellaneous	28,029	28,029	37,177	9,148
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
Personal Property Tax Relief Act	6,006	6,006	6,006	-
State communication tax	2,000	2,000	1,749	(251)
Fire program	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total Revenue from the Commonwealth of Virginia	<u>23,006</u>	<u>23,006</u>	<u>22,755</u>	<u>(251)</u>
<i>Revenue from the Federal Government</i>				
ARPA funds (Covid)	<u>-</u>	<u>-</u>	<u>184,214</u>	<u>184,214</u>
Total Revenue from the Federal Government	-	-	184,214	184,214
Total Intergovernmental Revenue	<u>23,006</u>	<u>23,006</u>	<u>206,969</u>	<u>183,963</u>
Total Revenues	187,885	187,885	422,403	234,518

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures				
General Government Administration				
Salaries	48,936	48,936	56,558	(7,622)
Legal and other professional services	11,000	11,000	15,932	(4,932)
Postage, office, and equipment	6,600	6,600	7,343	(743)
Advertising	1,200	1,200	1,834	(634)
Conferences	3,140	3,140	225	2,915
Accounting software	1,800	1,800	1,787	13
Insurance	3,300	3,300	5,126	(1,826)
Payroll tax	3,850	3,850	4,580	(730)
Telephone	1,500	1,500	1,673	(173)
Zoning	1,500	1,500	2,562	(1,062)
Miscellaneous	145	145	3,114	(2,969)
Dues and subscriptions	800	800	342	458
Total General Government Administration	83,771	83,771	101,076	(17,305)
Public Safety				
<i>Fire Department</i>				
State grant	15,000	15,000	15,000	-
Contribution - VFD	17,200	17,200	17,200	-
Total Fire Department	32,200	32,200	32,200	-
Total Public Safety	32,200	32,200	32,200	-
Public Works				
<i>Streets</i>				
Street lighting	9,000	9,000	11,523	(2,523)
Mowing supplies and repairs	300	300	-	300
Grass contract	27,000	27,000	21,375	5,625
Total Streets	36,300	36,300	32,898	3,402
<i>Buildings and Grounds</i>				
Other buildings and grounds	2,000	2,000	4,941	(2,941)
Electricity	3,000	3,000	3,810	(810)
Propane	1,500	1,500	1,547	(47)
Litter grant	1,300	1,300	1,000	300
Total Buildings and Grounds	7,800	7,800	11,298	(3,498)
Total Public Works	44,100	44,100	44,196	(96)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Parks, Recreation, and Cultural				
Recreation Area	18,000	18,000	-	18,000
Annual tree lighting	<u>250</u>	<u>250</u>	<u>154</u>	<u>96</u>
Total Parks, Recreation, and Cultural	<u>18,250</u>	<u>18,250</u>	<u>154</u>	<u>18,096</u>
 Total Expenditures	 <u>178,321</u>	 <u>178,321</u>	 <u>177,626</u>	 <u>695</u>
 Excess (Deficiency) of Revenues Over Expenditures	 9,564	 9,564	 244,777	 235,213
Other Financing Sources (Uses)				
Transfers out	<u>(285,000)</u>	<u>(285,000)</u>	<u>(236,700)</u>	<u>48,300</u>
Net Change in Fund Balance Before Funds from Surplus	(275,436)	(275,436)	8,077	283,513
From Surplus	<u>275,436</u>	<u>275,436</u>	<u>-</u>	<u>(275,436)</u>
Net Change in Fund Balance After Funds from Surplus	<u>\$ -</u>	<u>\$ -</u>	8,077	<u>\$ 8,077</u>
 Fund Balance - Beginning of Year			<u>565,235</u>	
 Fund Balance - End of Year			<u>\$ 573,312</u>	

OTHER INFORMATION

Table 1

Town of Charlotte Court House, Virginia

Revenue Bond Debt Service Coverage

Last Ten Fiscal Years

Water and Sewer Revenue Bonds

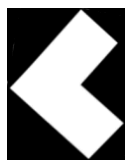
<u>Fiscal Years Ended June 30</u>	<u>Gross Revenues*</u>	<u>Direct Operating Expenses**</u>	<u>Net Available</u>	<u>Principal ***</u>	<u>Interest</u>	<u>Total Debt</u>	<u>Coverage</u>
2023	\$ 138,208	\$ 106,323	\$ 31,885	\$ 46,558	\$ 15,756	\$ 62,314	0.51
2022	159,817	90,728	69,089	46,271	16,043	62,314	1.11
2021	132,071	80,294	51,777	45,995	16,319	62,314	0.83
2020	133,921	75,497	58,424	45,731	16,583	62,314	0.94
2019	133,886	61,507	72,379	45,477	16,837	62,314	1.16
2018	136,756	77,765	58,991	45,234	17,080	62,314	0.95
2017	166,444	110,633	55,811	45,000	17,314	62,314	0.90
2016	139,080	65,210	73,870	44,771	17,543	62,314	1.19
2015	135,423	62,464	72,958	44,566	17,748	62,314	1.17
2014	133,072	82,813	50,259	44,254	18,060	62,314	0.81

*Operating revenues and grants and interest income.

**Excluding depreciation, interest, and amortization.

***Excludes debt refinancing payoffs.

COMPLIANCE SECTION



Creedle
Jones
& Associates

A Professional Corporation

Robin B. Jones, CPA, CFP
Kimberly W. Jackson, CPA

Sherwood H. Creedle, Founder

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

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

To the Town Council
Town of Charlotte Court House, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Charlotte Court House, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Charlotte Court House, Virginia's basic financial statements and have issued our report thereon dated May 29, 2024.

Report on Internal Control over Financial Reporting

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

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

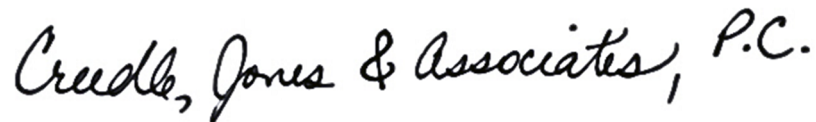
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Charlotte Court House, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

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

South Hill, Virginia
May 29, 2024