

Town of Chase City, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2019



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

Town of Chase City, Virginia

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Year Ended June 30, 2019

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FINANCIAL SECTION





**Creedle
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Chase City, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chase City, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Chase City, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule related to pension and OPEB on pages 1 through 7, 59-63, and 64-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2020, on our consideration of the Town of Chase City, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Chase City, 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 Chase City, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
January 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$4,045,454. Of this amount, \$1,880,523 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 \$1,731,827 with an unrestricted balance of \$244,449.
- The Town's total net position increased by \$256,152 during the current fiscal year. Of this amount, an increase of \$307,534 is related to governmental activities and a decrease of \$(51,383) is attributed to business-type activities.
- As of June 30, 2019, the Town's Governmental Funds reported combined ending fund balances of \$3,520,368, an increase of \$95,651 in comparison with the prior year. Approximately 37% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2019, the general fund unassigned fund balance was \$1,344,865, or approximately 49.5% 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 and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. 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 while all others are combined into a single aggregated presentation, if applicable.

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, the Community Development Block Grant Funds, Building Demolition Fund, Cemetery Fund, and Woodland Cemetery Fund, all of which are considered to be major funds.

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2019 and 2018

	Governmental 2019	Activities 2018	Business-Type 2019	Activities 2018	Total Primary 2019	Government 2018
Assets						
Current and other assets	\$ 3,606,396	\$ 3,497,024	\$ 546,251	\$ 581,734	\$ 4,152,647	\$ 4,078,758
Net capital assets	<u>2,632,016</u>	<u>2,154,217</u>	<u>4,234,794</u>	<u>4,398,183</u>	<u>6,866,810</u>	<u>6,552,400</u>
Total Assets	6,238,412	5,651,241	4,781,045	4,979,917	11,019,457	10,631,158
Deferred Outflows of Resources						
	<u>201,675</u>	<u>72,250</u>	<u>57,135</u>	<u>21,577</u>	<u>258,810</u>	<u>93,827</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,440,087</u>	<u>\$ 5,723,491</u>	<u>\$ 4,838,180</u>	<u>\$ 5,001,494</u>	<u>\$ 11,278,267</u>	<u>\$ 10,724,985</u>
Liabilities						
Other liabilities	\$ 43,109	\$ 22,912	\$ 156,046	\$ 123,220	\$ 199,155	\$ 146,132
Long-term liabilities	<u>2,071,418</u>	<u>1,483,746</u>	<u>2,871,124</u>	<u>2,952,013</u>	<u>4,942,542</u>	<u>4,435,759</u>
Total Liabilities	2,114,527	1,506,658	3,027,170	3,075,233	5,141,697	4,581,891
Deferred Inflows of Resources						
	280,106	478,913	79,183	143,052	359,289	621,965
Net Position						
Net investment in capital assets	2,164,931	2,118,217	1,487,378	1,517,395	3,652,309	3,635,612
Unrestricted	<u>1,880,523</u>	<u>1,619,703</u>	<u>244,449</u>	<u>265,814</u>	<u>2,124,972</u>	<u>1,885,517</u>
Total Net Position	<u>4,045,454</u>	<u>3,737,920</u>	<u>1,731,827</u>	<u>1,783,209</u>	<u>5,777,281</u>	<u>5,521,129</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,440,087</u>	<u>\$ 5,723,491</u>	<u>\$ 4,838,180</u>	<u>\$ 5,001,494</u>	<u>\$ 11,278,267</u>	<u>\$ 10,724,985</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2019 and 2018

	Governmental 2019	Activities 2018	Business-Type 2019	Activities 2018	Total Primary 2019	Government 2018
Revenues						
Program Revenues						
Charges for services	\$ 207,128	\$ 209,561	\$ 968,523	\$ 991,847	\$ 1,175,651	1,201,408
Grants and contributions	682,256	603,127	-	-	682,256	603,127
General Revenues						
General property taxes, real and personal	518,040	527,794	-	-	518,040	527,794
Other taxes	726,690	626,145	-	-	726,690	626,145
Grants and contributions not restricted to specific programs	112,708	116,822	-	-	112,708	116,822
Unrestricted revenues from use of money and property	18,645	11,495	-	-	18,645	11,495
Investment earnings	90,382	20,614	13,754	8,236	104,136	28,850
Miscellaneous	50,916	140,029	-	-	50,916	140,029
Total Revenues	2,406,765	2,255,587	982,277	1,000,083	3,389,042	3,255,670
Expenses						
General government administration	305,258	279,012	-	-	305,258	279,012
Public safety	738,494	685,312	-	-	738,494	685,312
Public works	844,385	855,071	-	-	844,385	855,071
Parks, recreation, and cultural	86,728	107,417	-	-	86,728	107,417
Community development	100,840	85,026	-	-	100,840	85,026
Water and sewer	-	-	975,614	936,408	975,614	936,408
Interest on long-term debt/closing costs	23,526	2,327	58,045	60,680	81,571	63,007
Total Expenses	2,099,231	2,014,165	1,033,659	997,088	3,132,890	3,011,253
Increase (Decrease) in Net Position Before Transfers	307,534	241,422	(51,382)	2,995	256,152	244,417
Transfers	-	(33,129)	-	33,129	-	-
Change in Net Position	307,534	208,293	(51,382)	36,124	256,152	244,417
Beginning Net Position	3,737,920	3,529,627	1,783,209	1,747,085	5,521,129	5,276,712
Ending Net Position	\$ 4,045,454	\$ 3,737,920	\$ 1,731,827	\$ 1,783,209	\$ 5,777,281	\$ 5,521,129

Governmental activities increased the Town's net position by \$307,534 for fiscal year 2019. Revenues from governmental activities totaled \$2,406,765. Other taxes comprise the largest source of these revenues totaling \$726,690.

The total cost of all governmental activities for this fiscal year was \$2,099,231. Public works was the Town's largest program with expenses totaling \$844,385. Public safety, which totals \$738,494, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>		<u>2018</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 305,258	\$ (299,126)	\$ 279,012	\$ (279,012)
Public safety	738,494	(586,168)	685,312	(580,349)
Public works	844,385	(206,780)	855,071	(225,192)
Parks, recreation, and cultural	86,728	(77,428)	107,417	(96,267)
Community development	100,840	(16,819)	85,026	(18,330)
Interest on long-term debt	<u>23,526</u>	<u>(23,526)</u>	<u>2,327</u>	<u>(2,327)</u>
Total	<u>\$ 2,099,231</u>	<u>\$ (1,209,847)</u>	<u>\$ 2,014,165</u>	<u>\$ (1,201,477)</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 \$3,520,368. The combined governmental fund balance increased \$95,651 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 \$1,344,865. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49.5% of total fund expenditures, while total fund balance represents 50% of that same amount.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 517,000	\$ 517,000	\$ 526,557	\$ 507,000	\$ 507,000	\$ 515,704
Other	1,065,060	1,065,060	1,063,819	1,016,705	1,016,705	920,063
Intergovernmental	<u>665,300</u>	<u>665,300</u>	<u>736,126</u>	<u>645,235</u>	<u>645,235</u>	<u>653,253</u>
Total	<u>2,247,360</u>	<u>2,247,360</u>	<u>2,326,502</u>	2,168,940	2,168,940	2,089,020
Expenditures	<u>2,247,360</u>	<u>2,247,360</u>	<u>2,714,916</u>	2,168,940	2,168,940	2,082,417
Proceeds from issuance of debt	-	-	<u>498,173</u>	-	-	<u>(29,619)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,016)</u>

The final amended budget appropriations, including expenditures, equaled the original appropriation. No major budget amendments took place this year.

Actual revenues were more than final budget amounts by \$79,142, or 3.5%, while actual expenditures were \$467,556, or 20.8% more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2019, the Town's governmental activities net capital assets total \$2,632,016, which represents a net increase of \$477,799 or 22.2% over the previous fiscal year-end balance. The business-type activities net capital assets total \$4,234,794, a decrease of \$163,389 or 3.7% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2018</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Land and land improvements	\$ 295,115	\$ -	\$ 295,115
Buildings and improvements	1,285,375	79,481	1,364,856
Infrastructure - streets, sidewalks, and systems	3,189,177	67,432	3,256,609
Furniture, equipment, and vehicles	<u>2,278,222</u>	<u>528,329</u>	<u>2,806,551</u>
Total Capital Assets	7,047,889	675,242	7,723,131
Less: Accumulated depreciation and amortization	<u>(4,893,672)</u>	<u>(197,443)</u>	<u>(5,091,115)</u>
Net Capital Assets	<u>\$ 2,154,217</u>	<u>\$ 477,799</u>	<u>\$ 2,632,016</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2018</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Land and land improvements	\$ 18,435	\$ -	\$ 18,435
Buildings and infrastructure systems	8,266,509	-	8,266,509
Furniture, equipment, and vehicles	<u>297,281</u>	<u>4,074</u>	<u>301,355</u>
Total Capital Assets	8,582,225	4,074	8,586,299
Less: Accumulated depreciation and amortization	<u>(4,184,042)</u>	<u>(167,463)</u>	<u>(4,351,505)</u>
Net Capital Assets	<u>\$ 4,398,183</u>	<u>\$ (163,389)</u>	<u>\$ 4,234,794</u>

Long-Term Debt

As of June 30, 2019, the Town's long-term obligations total \$4,464,336.

	<u>Balance</u> <u>July 1, 2018</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental Activities			
Long-term debt	\$ 36,000	\$ 431,085	\$ 467,085
Landfill obligation	1,158,295	3,641	1,161,936
Compensated absences	<u>92,001</u>	<u>(4,102)</u>	<u>87,899</u>
Total Governmental Activities	1,286,296	430,624	1,716,920
Business-Type Activities			
Long-term debt	<u>2,880,788</u>	<u>(133,372)</u>	<u>2,747,416</u>
Total Business-Type Activities	<u>2,880,788</u>	<u>(133,372)</u>	<u>2,747,416</u>
Total Reporting Entity	<u>\$ 4,167,084</u>	<u>\$ 297,252</u>	<u>\$ 4,464,336</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Chase City, Virginia in June 2019, which uses Mecklenburg County's rate, was 4.3%. This compares unfavorably to the state's rate of 2.9% and the national rate of 3.8%.
- According to the 2010 U.S. Census, the population in the Town of Chase City, Virginia was 2,351, a decrease of 4.31%, since the 2000 U.S. Census.
- The per capita income in the Town of Chase City, Virginia was \$14,862, compared to \$27,705 for the state, according to the 2010 U.S. Census data.

The fiscal year 2020 adopted budget anticipates General Fund revenues and expenditures to be \$2,353,109, a 4.7% increase over the fiscal year 2019 original 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 Virginia W. Petersen, Treasurer, Town of Chase City, Virginia, 319 North Main Street, Chase City, Virginia 23924, telephone 434-372-5136, or visit the Town's website at www.chasecity.org.

BASIC FINANCIAL STATEMENTS



Town of Chase City, Virginia

Statement of Net Position

At June 30, 2019

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,476,587	\$ 356,828	\$ 3,833,415
Receivables, net	87,383	124,190	211,573
Internal balances	6,483	(6,483)	-
Due from other governmental units	22,752	-	22,752
Inventory	13,191	71,716	84,907
Capital Assets			
Land and construction in progress	295,115	18,435	313,550
Other capital assets, net of accumulated depreciation	<u>2,336,901</u>	<u>4,216,359</u>	<u>6,553,260</u>
Net Capital Assets	<u>2,632,016</u>	<u>4,234,794</u>	<u>6,866,810</u>
Total Assets	6,238,412	4,781,045	11,019,457
Deferred Outflows of Resources			
Deferred outflows - VRS pension	189,199	53,364	242,563
Deferred outflows - OPEB group life insurance	10,754	3,033	13,787
Deferred outflows - OPEB retiree health insurance	<u>1,722</u>	<u>738</u>	<u>2,460</u>
Total Deferred Outflows of Resources	<u>201,675</u>	<u>57,135</u>	<u>258,810</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,440,087</u>	<u>\$ 4,838,180</u>	<u>\$ 11,278,267</u>
Liabilities			
Accounts payable and accrued expenses	\$ 43,109	\$ 28,734	\$ 71,843
Customer deposits	-	127,312	127,312
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	63,211	136,132	199,343
<i>Due in more than one year</i>			
Compensated absences	87,899	-	87,899
Net pension liability	209,735	72,409	282,144
Net OPEB liability - group life insurance	73,320	20,680	94,000
Net OPEB liability - retiree health insurance	71,443	30,619	102,062
Landfill closure and post-closure costs	1,161,936	-	1,161,936
Bonds, loans, and capital leases payable	<u>403,874</u>	<u>2,611,284</u>	<u>3,015,158</u>
Total Liabilities	2,114,527	3,027,170	5,141,697
Deferred Inflows of Resources			
Deferred inflows - VRS pension	268,740	75,798	344,538
Deferred inflows - OPEB group life insurance	10,140	2,860	13,000
Deferred inflows - OPEB retiree health insurance	<u>1,226</u>	<u>525</u>	<u>1,751</u>
Total Deferred Inflows of Resources	280,106	79,183	359,289
Net Position			
Net investment in capital assets	2,164,931	1,487,378	3,652,309
Unrestricted	<u>1,880,523</u>	<u>244,449</u>	<u>2,124,972</u>
Total Net Position	<u>4,045,454</u>	<u>1,731,827</u>	<u>5,777,281</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,440,087</u>	<u>\$ 4,838,180</u>	<u>\$ 11,278,267</u>

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

Town of Chase City, Virginia

Statement of Activities

For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
Primary Government							
Governmental Activities							
General government administration	\$ 305,258	\$ 5,275	\$ 857	\$ -	\$ (299,126)		\$ (299,126)
Public safety	738,494	21,138	131,188	-	(586,168)		(586,168)
Public works	844,385	171,415	466,190	-	(206,780)		(206,780)
Parks, recreation, and cultural	86,728	9,300	-	-	(77,428)		(77,428)
Community development	100,840	-	84,021	-	(16,819)		(16,819)
Interest on long-term debt	23,526	-	-	-	(23,526)		(23,526)
Total Governmental Activities	2,099,231	207,128	682,256	-	(1,209,847)		(1,209,847)
Business-Type Activities							
Proprietary funds - Water and sewer	1,033,659	968,523	-	-		\$ (65,136)	(65,136)
Total Business-Type Activities	1,033,659	968,523	-	-		(65,136)	(65,136)
Total Primary Government	<u>\$ 3,132,890</u>	<u>\$ 1,175,651</u>	<u>\$ 682,256</u>	<u>\$ -</u>			(1,274,983)
General Revenues							
Taxes							
General property taxes, real and personal					518,040	-	518,040
Other local taxes					726,690	-	726,690
Grants and contributions not restricted to specific programs					112,708	-	112,708
Unrestricted revenues from use of property					18,645	-	18,645
Investment earnings					90,382	13,754	104,136
Miscellaneous					50,916	-	50,916
Transfers					-	-	-
Total General Revenues and Transfers					<u>1,517,381</u>	<u>13,754</u>	<u>1,531,135</u>
Change in Net Position					307,534	(51,382)	256,152
Net Position - Beginning of Year					<u>3,737,920</u>	<u>1,783,209</u>	<u>5,521,129</u>
Net Position - End of Year					<u>\$ 4,045,454</u>	<u>\$ 1,731,827</u>	<u>\$ 5,777,281</u>

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

Town of Chase City, Virginia

Balance Sheet

Governmental Funds

At June 30, 2019

	General Fund	CDBG #25 West 4th Street Phase Two	CDBG #20 Endly Street	Building Demolition Fund	Cemetery Fund	Woodland Cemetery Fund	Total Governmental Funds
Assets							
Cash and investments	\$ 1,221,686	\$ 44,143	\$ 81	\$ 57,035	\$ 33,162	\$ 2,120,480	\$ 3,476,587
Property taxes receivable, net	42,919	-	-	-	-	-	42,919
Accounts receivable	43,789	-	-	-	675	-	44,464
Due from other funds	99,747	-	-	-	-	-	99,747
Due from other governmental units	22,752	-	-	-	-	-	22,752
Inventory	13,191	-	-	-	-	-	13,191
	<u>1,444,084</u>	<u>44,143</u>	<u>81</u>	<u>57,035</u>	<u>33,837</u>	<u>2,120,480</u>	<u>3,699,660</u>
Total Assets	<u>\$ 1,444,084</u>	<u>\$ 44,143</u>	<u>\$ 81</u>	<u>\$ 57,035</u>	<u>\$ 33,837</u>	<u>\$ 2,120,480</u>	<u>\$ 3,699,660</u>
Liabilities							
Accounts payable	\$ 23,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,305
Due to other funds	-	-	-	93,264	-	-	93,264
Accrued liabilities and prepaid expenses	19,804	-	-	-	-	-	19,804
	<u>43,109</u>	<u>-</u>	<u>-</u>	<u>93,264</u>	<u>-</u>	<u>-</u>	<u>136,373</u>
Total Liabilities	43,109	-	-	93,264	-	-	136,373
Deferred Inflows of Resources							
Unavailable revenue - property taxes	42,919	-	-	-	-	-	42,919
	<u>42,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,919</u>
Total Deferred Inflows of Resources	42,919	-	-	-	-	-	42,919
Fund Balance							
Nonspendable - inventory	13,191	-	-	-	-	-	13,191
Restricted - CDBG	-	44,143	81	-	-	-	44,224
Restricted - Cemetery	-	-	-	-	-	2,120,480	2,120,480
Assigned	-	-	-	-	33,837	-	33,837
Unassigned	1,344,865	-	-	(36,229)	-	-	1,308,636
	<u>1,358,056</u>	<u>44,143</u>	<u>81</u>	<u>(36,229)</u>	<u>33,837</u>	<u>2,120,480</u>	<u>3,520,368</u>
Total Fund Balance (Deficit)	<u>1,358,056</u>	<u>44,143</u>	<u>81</u>	<u>(36,229)</u>	<u>33,837</u>	<u>2,120,480</u>	<u>3,520,368</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,444,084</u>	<u>\$ 44,143</u>	<u>\$ 81</u>	<u>\$ 57,035</u>	<u>\$ 33,837</u>	<u>\$ 2,120,480</u>	<u>\$ 3,699,660</u>

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

Town of Chase City, Virginia

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

At June 30, 2019

Total Fund Balances for Governmental Funds \$ 3,520,368

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	\$ 295,115
Buildings and improvements, net of accumulated depreciation	369,788
Infrastructure - streets, sidewalks, systems, net of accumulated depreciation	1,138,667
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>828,446</u>

Total Capital Assets 2,632,016

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.

Unavailable revenue - property taxes	<u>42,919</u>
--------------------------------------	---------------

Total Other Assets 42,919

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to VRS pension	189,199
Deferred outflows of resources related to OPEB group life insurance	10,754
Deferred outflows of resources related to OPEB retiree health insurance	1,722
Deferred inflows of resources related to VRS pension	(268,740)
Deferred inflows of resources related to OPEB group life insurance	(10,140)
Deferred inflows of resources related to OPEB retiree health insurance	<u>(1,226)</u>

Total Deferred Outflows and Inflows of Resources (78,431)

Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(467,085)
Net VRS pension liability	(209,735)
Net OPEB group life insurance liability	(73,320)
Net OPEB retiree health insurance liability	(71,443)
Landfill obligation	(1,161,936)
Compensated absences	<u>(87,899)</u>

Total (2,071,418)

Total Net Position of Governmental Activities \$ 4,045,454

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

Town of Chase City, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

	General Fund	CDBG #25 West 4th Street Phase Two	CDBG #27 Washington Street	CDBG #20 Endly Street	Building Demolition Fund	Cemetery Fund	Woodland Cemetery Fund	Total Governmental Funds
Revenues								
Property taxes	\$ 526,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526,557
Other local taxes	726,690	-	-	-	-	-	-	726,690
Permits, privilege fees, and regulatory licenses	725	-	-	-	-	-	-	725
Fines and forfeitures	21,138	-	-	-	-	-	-	21,138
Use of money and property	29,203	757	-	-	168	9,988	68,911	109,027
Charges for services	175,965	-	-	-	-	9,300	-	185,265
Miscellaneous	29,982	20,654	-	-	-	280	-	50,916
Recovered costs	80,116	-	-	-	-	-	-	80,116
<i>Intergovernmental</i>								
Revenue from the Commonwealth of Virginia	658,622	-	-	-	-	-	-	658,622
Revenue from the Federal Government	<u>77,504</u>	-	<u>6,108</u>	<u>52,730</u>	-	-	-	<u>136,342</u>
Total Revenues	2,326,502	21,411	6,108	52,730	168	19,568	68,911	2,495,398
Expenditures								
Current								
General government administration	367,837	-	-	-	-	-	-	367,837
Public safety	1,335,758	-	-	-	1,850	-	-	1,337,608
Public works	860,020	-	-	-	-	-	-	860,020
Parks, recreation, and cultural	22,657	-	-	-	-	20,908	98,111	141,676
Community development	38,030	3,313	6,173	52,649	-	-	-	100,165
Debt service	<u>90,614</u>	-	-	-	-	-	-	<u>90,614</u>
Total Expenditures	<u>2,714,916</u>	<u>3,313</u>	<u>6,173</u>	<u>52,649</u>	<u>1,850</u>	<u>20,908</u>	<u>98,111</u>	<u>2,897,920</u>
Excess (Deficiency) of Revenues Over Expenditures	(388,414)	18,098	(65)	81	(1,682)	(1,340)	(29,200)	(402,522)
Other Financing Sources (Uses)								
Proceeds from issuance of debt	<u>498,173</u>	-	-	-	-	-	-	<u>498,173</u>
Total Other Financing Sources (Uses)	<u>498,173</u>	-	-	-	-	-	-	<u>498,173</u>
Net Change in Fund Balance	109,759	18,098	(65)	81	(1,682)	(1,340)	(29,200)	95,651
Fund Balance (Deficit) - Beginning of Year	1,246,256	26,045	65	-	(34,547)	35,177	2,149,680	3,422,676
Change in Inventory	<u>2,041</u>	-	-	-	-	-	-	<u>2,041</u>
Fund Balance (Deficit) - End of Year	<u>\$ 1,358,056</u>	<u>\$ 44,143</u>	<u>\$ -</u>	<u>\$ 81</u>	<u>\$ (36,229)</u>	<u>\$ 33,837</u>	<u>\$ 2,120,480</u>	<u>\$ 3,520,368</u>

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

Town of Chase City, Virginia

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

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 95,651

**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 as depreciation expense.

Capitalized assets	\$ 683,242	
Depreciation	<u>(205,443)</u>	
		477,799

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. (8,517)

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

Issuance of new debt	(498,173)	
Repayments on debt	<u>67,088</u>	
Net Adjustment		(431,085)

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

Pension contributions	121,649	
Cost of benefits earned net of employee contributions	<u>47,470</u>	
		169,119

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

Landfill obligation	(3,641)	
Net OPEB group life insurance liability	2,674	
Net OPEB retiree health insurance liability	(609)	
Change in inventory	2,041	
Compensated absences	<u>4,102</u>	
Net Adjustment		<u>4,567</u>

Change in Net Position of Governmental Activities \$ 307,534

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

Town of Chase City, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2019

	<u>Water Fund #51</u>	<u>Sewer Fund #52</u>	<u>Sewer Escrow Fund #53</u>	<u>Wastewater Fund #54</u>	<u>Totals</u>
Assets					
Current Assets					
Cash	\$ 368,464	\$ -	\$ 258,488	\$ 41,229	\$ 668,181
Accounts receivable - customers	61,730	25,915	23,653	12,892	124,190
Inventory	<u>47,244</u>	<u>24,472</u>	<u>-</u>	<u>-</u>	<u>71,716</u>
Total Current Assets	477,438	50,387	282,141	54,121	864,087
Noncurrent Assets					
Land	4,858	13,577	-	-	18,435
Other capital assets, net of accumulated depreciation	<u>216,511</u>	<u>347,415</u>	<u>1,371,153</u>	<u>2,281,280</u>	<u>4,216,359</u>
Net Capital Assets	<u>221,369</u>	<u>360,992</u>	<u>1,371,153</u>	<u>2,281,280</u>	<u>4,234,794</u>
Total Assets	698,807	411,379	1,653,294	2,335,401	5,098,881
Deferred Outflows of Resources					
Deferred outflows - VRS pension	25,615	27,749	-	-	53,364
Deferred outflows - OPEB group life	1,456	1,577	-	-	3,033
Deferred outflows - OPEB retiree health insurance	<u>369</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>738</u>
Total Deferred Outflows of Resources	<u>27,440</u>	<u>29,695</u>	<u>-</u>	<u>-</u>	<u>57,135</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 726,247</u>	<u>\$ 441,074</u>	<u>\$ 1,653,294</u>	<u>\$ 2,335,401</u>	<u>\$ 5,156,016</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued expenses	\$ 20,708	\$ 8,026	\$ -	\$ -	\$ 28,734
Due to other funds	-	-	-	6,483	6,483
Pooled cash deficit	-	311,353	-	-	311,353
Current portion of notes/bonds payable	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>36,132</u>	<u>136,132</u>
Total Current Liabilities	20,708	319,379	100,000	42,615	482,702
Noncurrent Liabilities					
Customer deposits	127,312	-	-	-	127,312
Net pension liability - VRS	34,756	37,653	-	-	72,409
Net OPEB liability - group life insurance	9,926	10,754	-	-	20,680
Net OPEB liability - retiree health insurance	15,310	15,309	-	-	30,619
Notes and bonds payable (net of current portion)	<u>-</u>	<u>-</u>	<u>873,000</u>	<u>1,738,284</u>	<u>2,611,284</u>
Total Noncurrent Liabilities	<u>187,304</u>	<u>63,716</u>	<u>873,000</u>	<u>1,738,284</u>	<u>2,862,304</u>
Total Liabilities	208,012	383,095	973,000	1,780,899	3,345,006
Deferred Inflows of Resources					
Deferred inflows - VRS pension	36,383	39,415	-	-	75,798
Deferred inflows - OPEB group life insurance	1,373	1,487	-	-	2,860
Deferred inflows - OPEB retiree health insurance	<u>262</u>	<u>263</u>	<u>-</u>	<u>-</u>	<u>525</u>
Total Deferred Inflows of Resources	38,018	41,165	-	-	79,183
Net Position					
Net investment in capital assets	221,369	360,992	398,153	506,864	1,487,378
Unrestricted	<u>258,848</u>	<u>(344,178)</u>	<u>282,141</u>	<u>47,638</u>	<u>244,449</u>
Total Net Position	<u>480,217</u>	<u>16,814</u>	<u>680,294</u>	<u>554,502</u>	<u>1,731,827</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 726,247</u>	<u>\$ 441,074</u>	<u>\$ 1,653,294</u>	<u>\$ 2,335,401</u>	<u>\$ 5,156,016</u>
The accompanying notes to the financial statements are an integral part of this statement.					

Town of Chase City, Virginia

Statement of Revenues, Expenses, and
Changes in Net Position

Proprietary Funds

Year Ended June 30, 2019

	Water Fund #51	Sewer Fund #52	Sewer Escrow Fund #53	Wastewater Fund #54	Totals
Operating Revenues					
Water and sewer sales	\$ 482,297	\$ 289,163	\$ 105,825	\$ 81,586	\$ 958,871
Other income	2,745	-	-	-	2,745
Connection and cut-on fees	<u>6,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,907</u>
Total Operating Revenues	491,949	289,163	105,825	81,586	968,523
Operating Expenses					
Salaries and wages	139,096	138,117	-	-	277,213
Fringe benefits	40,680	32,429	-	-	73,109
Professional services	2,993	35,597	-	-	38,590
Repairs and maintenance	46,191	18,002	-	-	64,193
Materials and supplies	23,700	14,629	-	-	38,329
Utilities and telephone	7,336	47,946	-	-	55,282
Insurance	1,737	1,732	-	-	3,469
Vehicle and power equipment and supplies	9,754	12,523	-	-	22,277
Water purchased - RRSA	223,345	-	-	-	223,345
Other miscellaneous expenses	6,813	5,375	104	52	12,344
Depreciation	<u>16,459</u>	<u>16,180</u>	<u>65,737</u>	<u>69,087</u>	<u>167,463</u>
Total Operating Expenses	<u>518,104</u>	<u>322,530</u>	<u>65,841</u>	<u>69,139</u>	<u>975,614</u>
Operating Income (Loss)	(26,155)	(33,367)	39,984	12,447	(7,091)
Nonoperating Revenues (Expenses)					
Interest income	8,154	-	4,721	879	13,754
Interest expense	<u>-</u>	<u>-</u>	<u>(19,929)</u>	<u>(38,116)</u>	<u>(58,045)</u>
Total Nonoperating Revenues (Expenses)	<u>8,154</u>	<u>-</u>	<u>(15,208)</u>	<u>(37,237)</u>	<u>(44,291)</u>
Income (Loss) Before Operating Transfers	(18,001)	(33,367)	24,776	(24,790)	(51,382)
Operating Transfers In (Out)					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(18,001)	(33,367)	24,776	(24,790)	(51,382)
Net Position - Beginning of Year	<u>498,218</u>	<u>50,181</u>	<u>655,518</u>	<u>579,292</u>	<u>1,783,209</u>
Net Position - End of Year	<u>\$ 480,217</u>	<u>\$ 16,814</u>	<u>\$ 680,294</u>	<u>\$ 554,502</u>	<u>\$ 1,731,827</u>

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

Town of Chase City, Virginia
 Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Sewer</u>	<u>Wastewater</u>	<u>Totals</u>
	<u>Fund #51</u>	<u>Fund #52</u>	<u>Escrow</u>	<u>Fund #53</u>	<u>Fund #54</u>
Cash Flows from Operating Activities					
Receipts from customers	\$ 491,895	\$ 291,034	\$ 103,664	\$ 79,856	\$ 966,449
Other receipts	2,745	-	-	-	2,745
Payments for personnel and fringes	(201,697)	(192,569)	-	-	(394,266)
Payments for other operating supplies	<u>(297,591)</u>	<u>(94,391)</u>	<u>(104)</u>	<u>(52)</u>	<u>(392,138)</u>
Net Cash Provided by (Used in)					
Operating Activities	(4,648)	4,074	103,560	79,804	182,790
Cash Flows from Noncapital Financing Activities					
Transfers to (from) other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used In)					
Noncapital Financing Activities	-	-	-	-	-
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	-	(4,074)	-	-	(4,074)
Repayment of long-term debt - principal	-	-	(98,000)	(35,372)	(133,372)
Repayment of long-term debt - interest	<u>-</u>	<u>-</u>	<u>(19,929)</u>	<u>(38,116)</u>	<u>(58,045)</u>
Net Cash Used in Capital and Related					
Financing Activities	-	(4,074)	(117,929)	(73,488)	(195,491)
Cash Flows from Investing Activities					
Interest income	<u>8,154</u>	<u>-</u>	<u>4,721</u>	<u>879</u>	<u>13,754</u>
Net Cash Provided by Investing Activities	<u>8,154</u>	<u>-</u>	<u>4,721</u>	<u>879</u>	<u>13,754</u>
Net Increase (Decrease) in Cash	3,506	-	(9,648)	7,195	1,053
Cash - Beginning of Year	<u>364,958</u>	<u>-</u>	<u>268,136</u>	<u>34,034</u>	<u>667,128</u>
Cash - End of Year	<u>\$ 368,464</u>	<u>\$ -</u>	<u>\$ 258,488</u>	<u>\$ 41,229</u>	<u>\$ 668,181</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ (26,155)	\$ (33,367)	\$ 39,984	\$ 12,447	\$ (7,091)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	16,459	16,180	65,737	69,087	167,463
<i>Changes in assets and liabilities</i>					
Receivables, net	(2,250)	1,871	(2,161)	(1,730)	(4,270)
Inventory	3,570	(5,394)	-	-	(1,824)
Deferred outflows - OPEB group life insurance	(369)	(847)	-	-	(1,216)
Deferred outflows - VRS pension liability	(15,930)	(17,257)	-	-	(33,187)
Deferred outflows - retiree health insurance	(786)	(369)	-	-	(1,155)
Pooled cash deficit	-	42,630	-	-	42,630
Accounts payable and accrued expenses	20,708	7,177	-	-	27,885
Customer deposits	4,941	-	-	-	4,941
Deferred inflows - retiree health insurance	(6)	(27)	-	-	(33)
Deferred inflows - OPEB group life insurance	(277)	(313)	-	-	(590)
Deferred inflows - VRS pension liability	(30,358)	(32,888)	-	-	(63,246)
Net OPEB - group life insurance	101	109	-	-	210
Net OPEB - retiree health insurance	5,494	4,673	-	-	10,167
Net VRS pension liability	<u>20,210</u>	<u>21,896</u>	<u>-</u>	<u>-</u>	<u>42,106</u>
Net Cash Provided by (Used in)					
Operating Activities	<u>\$ (4,648)</u>	<u>\$ 4,074</u>	<u>\$ 103,560</u>	<u>\$ 79,804</u>	<u>\$ 182,790</u>

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

Town of Chase City, Virginia

Notes to the Financial Statements

Year Ended June 30, 2019

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Chase City, Virginia (the "Town"), which was founded in 1873, has a population of approximately 2,351 living within an area of 2.2 square miles. The Town is located in the northwestern area in Mecklenburg County, Virginia. The Town is governed by a Town Manager and a six-member Town Council with each serving administrative and legislative functions.

The Town of Chase City, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, and cultural, and community development activities.

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.

Exclusions from the Reporting Entity

Related Organization

Industrial Development Authority of the Town of Chase City, Virginia

The Industrial Development Authority (the "Authority") of the Town of Chase City, Virginia was created in 1967. The Authority is authorized to acquire, own, lease, and dispose of local properties which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery, or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven-member board appointed by the Chase City Town Council. The Town of Chase City, Virginia cosigns debt for the Authority. This Organization has no activity at this time.

Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization. At this time, the Town has no joint activities.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

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

GASB-Required Supplementary OPEB – GASB issued Statement No. 75-- *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

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

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

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Cemetery Fund – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.
 - Woodland Cemetery Fund – This fund is used solely for the care, upkeep, and beautification of Woodland Cemetery.
- *Capital Projects Funds* – The Capital Projects Funds account for financial resources to be used for rehabilitation projects other than those financed by proprietary funds. Capital Projects Funds include the following:
 - CDBG #25, #27, and #20 – These funds account for the Town’s rehabilitation projects for West 4th Street Phase Two, Washington Street, and Endly Street.
 - Building Demolition Fund – This fund has been assigned to collect and disburse funds related to cleaning up real property within the Town that taxpayers will not or cannot handle themselves.
- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has four enterprise funds which account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- *Fiduciary Funds (Agency Funds)* – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no Fiduciary Funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, 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 (public safety, public works, health and welfare, etc.) or a business-type activity.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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

The Town operates a cash pool which all funds utilize with the exception of the community development block grant funds, each of which has separate bank accounts. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown at original amounts. The Town uses the direct write-off method for bad debts. For fiscal year 2019, the Town had no allowance for uncollectibles established.

Real and Personal Property Tax Data

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

Real Property Personal Property

Assessed	January 1	January 1
Levy	October 1	October 1
Due Date	January 31	January 31

The Town bills and collects its own property taxes.

A 10% penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on such taxes beginning on October 1.

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 maintains a capitalization threshold of \$5,000. The Town's infrastructure consists primarily of streets, sidewalks, and systems. 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	20 to 40 years
Furniture, machinery, and equipment (includes vehicles)	5 to 20 years
Infrastructure	50 years

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

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 45 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 total compensated absence liability is reported on the government-wide financial statements.

1-E-8 Pensions

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

1-E-9 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer services. 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-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Estimates

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

1-E-15 Adoption of New GASB Statements

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

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

Expenditures in Excess of Appropriations

The Cemetery Fund expenses did not exceed appropriations.

The General Fund did exceed appropriations by \$467,556.

The Woodland Cemetery Fund did exceed appropriations by \$98,111.

Fund Deficits

The Building Demolition Fund had an unrestricted deficit of \$(36,229).

3 Cash and Cash Equivalents

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.

The following is a summary and reconciliation of the pooled cash and cash equivalents :

<u>Asset Type</u>	<u>Balance June 30, 2019</u>
Petty cash	\$ 1,100
Deposit accounts	<u>3,832,315</u>
Total Cash and Cash Equivalents	<u>\$ 3,833,415</u>

4 Receivables

Receivables at June 30, 2019 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Property taxes	\$ 42,919	\$ -	\$ 42,919
Utility taxes	950	-	950
Meals tax	17,368	-	17,368
Garbage	20,533	-	20,533
Cemetery	675	-	675
Other	4,938	-	4,938
Water, sewer, and sewer escrow	<u>-</u>	<u>124,190</u>	<u>124,190</u>
Total Receivables	<u>\$ 87,383</u>	<u>\$ 124,190</u>	<u>\$ 211,573</u>

5 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2019, are as follows:

	Governmental Activities General
Commonwealth of Virginia	
Local sales tax	\$ <u>22,752</u>

6 Interfund Receivables, Payables, and Transfers

Due from/to other funds for the year ended June 30, 2019 consisted of the following:

Primary Government

	Due From	Due To
General Fund		
Due from Wastewater Fund #54	\$ 6,483	\$ -
Due from Building Demolition Fund	93,264	-
Wastewater Fund #54		
Due to General Fund for operating costs	-	6,483
Building Demolition Fund		
Due to General Fund for operating costs	<u>-</u>	<u>93,264</u>
Total Due From/To's between Funds	<u>\$ 99,747</u>	<u>\$ 99,747</u>

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7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 295,115	\$ -	\$ -	\$ 295,115
Total Capital Assets Not Being Depreciated	295,115	-	-	295,115
Other Capital Assets				
Buildings and improvements	1,285,375	79,481	-	1,364,856
Infrastructure - streets, sidewalks, systems	3,189,177	67,432	-	3,256,609
Furniture, equipment, and vehicles	<u>2,278,222</u>	<u>536,329</u>	<u>8,000</u>	<u>2,806,551</u>
Total Other Capital Assets	6,752,774	683,242	8,000	7,428,016
Less: Accumulated depreciation for				
Buildings and improvements	962,652	32,416	-	995,068
Infrastructure - streets, sidewalks, systems	2,085,540	32,402	-	2,117,942
Furniture, equipment, and vehicles	<u>1,845,480</u>	<u>140,625</u>	<u>8,000</u>	<u>1,978,105</u>
Total Accumulated Depreciation	<u>4,893,672</u>	<u>205,443</u>	<u>8,000</u>	<u>5,091,115</u>
Other Capital Assets, Net	<u>1,859,102</u>	<u>477,799</u>	<u>-</u>	<u>2,336,901</u>
Net Capital Assets	<u>\$ 2,154,217</u>	<u>\$ 477,799</u>	<u>\$ -</u>	<u>\$ 2,632,016</u>

Depreciation expense was allocated as follows:

Public safety	\$ 92,901
Public works	87,334
Community development	675
Parks, recreation, and cultural	<u>24,533</u>
Total Depreciation Expense	<u>\$ 205,443</u>

Business-Type Activities

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 18,435	\$ -	\$ -	\$ 18,435
Total Capital Assets Not Being Depreciated	18,435	-	-	18,435
Other Capital Assets				
Buildings and systems	8,266,509	-	-	8,266,509
Furniture, equipment, and vehicles	297,281	4,074	-	301,355
Total Other Capital Assets	8,563,790	4,074	-	8,567,864
Less: Accumulated depreciation for				
Buildings and systems	3,977,623	157,958	-	4,135,581
Furniture, equipment, and vehicles	206,419	9,505	-	215,924
Total Accumulated Depreciation	4,184,042	167,463	-	4,351,505
Other Capital Assets, Net	4,379,748	(163,389)	-	4,216,359
Net Capital Assets	<u>\$ 4,398,183</u>	<u>\$ (163,389)</u>	<u>\$ -</u>	<u>\$ 4,234,794</u>

8 Compensated Absences

Each Town employee earns vacation at the rate of a minimum of 1 day per month up to 1 ½ days per month based on years of service. Sick leave is earned at the rate of 1 ½ days per month. No sick leave is paid upon termination. Accumulated vacation up to thirty days is paid upon termination. The Town has outstanding compensated absences totaling \$87,899 for the governmental activities.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 63,211	\$ 11,787	\$ 136,132	\$ 55,354	\$ 199,343	\$ 67,141
2021	46,337	10,056	138,908	52,609	185,245	62,665
2022	47,490	8,903	141,700	49,809	189,190	58,712
2023	48,673	7,720	144,509	46,952	193,182	54,672
2024	49,885	6,508	147,335	44,040	197,220	50,548
2025-2029	211,489	13,298	662,704	175,608	874,193	188,906
2030-2034	-	-	233,189	134,250	233,189	134,250
2035-2039	-	-	259,306	108,134	259,306	108,134
2040-2044	-	-	288,347	79,093	288,347	79,093
2045-2049	-	-	320,640	46,800	320,640	46,800
2050-2054	-	-	274,646	10,889	274,646	10,889
Subtotal	467,085	58,272	2,747,416	803,538	3,214,501	861,810
Landfill obligation	1,161,936	-	-	-	1,161,936	-
Compensated absences	87,899	-	-	-	87,899	-
Total	<u>\$ 1,716,920</u>	<u>\$ 58,272</u>	<u>\$ 2,747,416</u>	<u>\$ 803,538</u>	<u>\$ 4,464,336</u>	<u>\$ 861,810</u>

Changes in Long-Term Debt

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

	<u>Balance July 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General Fund					
Long-term note with Benchmark Community Bank for \$498,173 payable in annual installments of \$56,393 for 10 years at 2.49% interest for a fire truck.	\$ -	\$ 498,173	\$ 49,088	\$ 449,085	\$ 45,211
Long-term note with Carter Bank & Trust issued for \$270,000 payable at a rate of 3.36% for 15 years.	36,000	-	18,000	18,000	18,000
Landfill obligation	1,158,295	3,641	-	1,161,936	-
Compensated absences	92,001	-	4,102	87,899	-
Total Governmental Activities	1,286,296	501,814	71,190	1,716,920	63,211
Business-Type Activities					
Enterprise Funds					
<i>Sewer Escrow Fund</i>					
Carter Bank & Trust General Obligation Refunding Bond Series 2016 payable in 12 annual installments with interest rate of 1.95%. Annual principal payments are due July 15 and semiannual interest payments are due January 15 and July 15.	1,071,000	-	98,000	973,000	100,000
<i>Wastewater Fund</i>					
Long-term loan with Rural Development issued June 2013 for \$1,944,000 payable over 40 years. Monthly payments are \$6,124 with an interest rate of 2.125%.	1,809,788	-	35,372	1,774,416	36,132
Total Business-Type Activities	2,880,788	-	133,372	2,747,416	136,132
Total Primary Government	\$ 4,167,084	\$ 501,814	\$ 204,562	\$ 4,464,336	\$ 199,343

Note: The Town refunded the above G.O. Refunding Bond Series 2007 with a new Series 2016 with the same bank, Carter Bank & Trust. This will result in a total debt service savings of \$125,419.70. The interest rate went from 4.25% to 1.95%.

10 Net Investment in Capital Assets

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 7,723,131	\$ 8,586,299	\$ 16,309,430
Less: Accumulated depreciation	(5,091,115)	(4,351,505)	(9,442,620)
Book value	2,632,016	4,234,794	6,866,810
Less: Capital related debt	(467,085)	(2,747,416)	(3,214,501)
Net Investment in Capital Assets	\$ 2,164,931	\$ 1,487,378	\$ 3,652,309

11 Deferred Inflows of Resources

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 from unavailable property taxes are comprised of the following:

Primary Government General Fund

Delinquent taxes not collected within 60 days	\$ 42,919
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 42,919</u>

12 Risk Management

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

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

Surety Bond coverage is as follows:

Virginia Municipal League Insurance Program

Virginia W. Petersen, Treasurer	\$144,000
Sarah E. Caknipe	144,000
Public Employee Blanket Bond	25,000

13 Commitments and Contingencies

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

14 Litigation

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

15 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$ 77,498,700
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 7,749,870
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>3,214,501</u>
Legal Debt Margin - June 30, 2019	<u>\$ 4,535,369</u>

Note: Includes all long-term general obligation bonded debt. Excludes capital leases, landfill closure, and compensated absences.

16 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

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

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

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

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

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

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	25
Inactive members:	
Vested inactive members	5
Non-vested inactive members	2
LTD	-
Inactive members active elsewhere in VRS	<u>13</u>
Total inactive members	20
Active members	<u>32</u>
Total covered employees	<u><u>77</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 5.03% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$55,978 and \$87,727 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) 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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expenses, including inflation*

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males set forward 3 years; females 1.0% increase compounded from ages 70-90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expenses, including inflation*

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant rates at ages 81 and older projected with a scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 5,709,048	\$ 5,618,296	\$ 90,752
Changes for the Year			
Service cost	92,551	-	92,551
Interest	387,779	-	387,779
Benefit changes	-	-	-
Assumptions changes	-	-	-
Differences between expected and actual experience	260,626	-	260,626
Contributions - employer	-	85,940	(85,940)
Contributions - employee	-	56,857	(56,857)
Net investment income	-	410,764	(410,764)
Benefit payments, including refunds	(338,702)	(338,702)	-
Refunds of employee contributions	-	(3,635)	3,635
Administrative expenses	-	(362)	362
Other changes	-	-	-
Net Changes	<u>402,254</u>	<u>210,862</u>	<u>191,392</u>
Balances at June 30, 2018	<u>\$ 6,111,302</u>	<u>\$ 5,829,158</u>	<u>\$ 282,144</u>

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's Net Pension Liability	\$1,002,290	\$ 282,144	\$(322,513)

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$(169,255). At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 186,585	\$ 289,812
Change in assumptions	-	8,755
Net difference between projected and actual earnings on pension plan investments	-	45,971
Employer contributions subsequent to the measurement date	<u>55,978</u>	<u>-</u>
Total	<u>\$ 242,563</u>	<u>\$ 344,538</u>

\$55,978 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2020	\$(104,437)
2021	(28,920)
2022	(19,700)
2023	(4,896)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

17 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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 Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$5,787 and \$6,100 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the entities reported a liability of \$94,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00620% as compared to .00595% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,000	\$ 2,000
Net difference between projected and actual investment earnings OPEB program investments	-	3,000
Change in assumptions	-	4,000
Changes in proportion	3,000	4,000
Employer contributions subsequent to the measurement date	<u>5,787</u>	<u>-</u>
Total	<u>\$ 13,787</u>	<u>\$ 13,000</u>

\$5,787 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	(2,000)
2024	-
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent - 5.95 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
JRS employees	4.5 percent
Locality - General employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the 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, 2018, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		<u>1,594,773</u>
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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, 2018, the rate contributed by the entity for the GLI OPEB 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. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s 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 GLI OPEB liability.

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Employer's Proportionate Share of the Group Life Insurance Program Net OPEB Liability	\$123,000	\$ 94,000	\$71,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018_-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

18 Other Postemployment Benefits – Retiree Health Insurance

Summary of Benefit Provisions

Eligibility

Participants in the Town of Chase City’s OPEB plan must meet the requirements described below in order to be eligible for benefits at retirement. Participants must also retire directly from active service and be currently enrolled in a health plan offering from the Town.

General Employees Plan 1

Plan 1 includes all members vested as of January 1, 2013.

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

General Employees Plan 2 and Hybrid Plan

Plan 2 includes all members not vested as of January 1, 2013, and members hired on or after July 1, 2010. The Hybrid Plan includes members hired on or after January 1, 2014 or by member election.

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

Public Safety Employees Plan 1 and Plan 2

Plan 1 includes members hired prior to January 1, 2014, while Plan 2 includes members hired on or after January 1, 2014. There is no Hybrid Plan for Virginia Law Officers.

- Attain age 50 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 60 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 25 years of service with VRS for an unreduced pension benefit.

Coverage is for eligible retirees and their spouses/dependents. Benefits cease upon retiree becoming eligible for Medicare.

Executive Summary*Relationship Between Valuation Date, Measurement Date, and Reporting Date*

The Valuation Date is June 30, 2017. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2019. This is the date as of which the total OPEB liability is determined. The Reporting Date is June 30, 2019. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation date and fiscal year end.

Participant Data as of June 30, 2017

	<u>Number</u>
Active members	33
Retirees	-
Beneficiaries	-
Spouses of retirees	-
Total covered employees	<u>33</u>

Total OPEB Liability	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Total OPEB Liability	\$ 88,923	\$ 102,062
Covered Payroll	1,146,900	1,146,900
Total OPEB liability as a % of covered payroll	7.75%	8.90%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Discount Rate		
Discount rate	3.87%	3.50%
20 Year Tax-Exempt Municipal Bond Yield	3.87%	3.50%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

Valuation date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2018	June 30, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Medical Trend Rate	7.20% - 4.20% over 68 years	7.20% - 4.20% over 68 years
Salary increases, including inflation	Graded Scale	Graded Scale

	Increase (Decrease)
Changes in Total OPEB Liability	Total OPEB Liability
Balance as of June 30, 2018	\$ 88,923
Changes for the Year	
Service cost	7,834
Interest on total OPEB liability	3,709
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	3,406
Benefit payments	<u>(1,810)</u>
Net Changes	<u>13,139</u>
Balance as of June 30, 2019	<u>\$ 102,062</u>

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 3.50%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate:

	<u>1.00% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1.00% Increase (4.50%)</u>
Total OPEB liability	\$ 111,927	\$ 102,062	\$ 93,162

The following presents the total OPEB liability of the Town, calculated using the current healthcare cost trend rates as well as what the Town's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<u>1.00% Decrease</u>	<u>Current Trend Rate</u>	<u>1.00% Increase</u>
Total OPEB liability	\$ 87,678	\$ 102,062	\$ 119,512

Deferred Outflows/Inflows of Resources

As of June 30, 2019, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	<u>2,460</u>	<u>1,751</u>
Total	<u>\$ 2,460</u>	<u>\$ 1,751</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 272
2021	272
2022	165
2023	-
2024	-
Thereafter*	-

*Note that additional future deferred outflows and inflows of resources may impact these numbers.

19 Fund Balances – Governmental Funds

As of June 30, 2019, fund balances are composed of the following:

	<u>Primary Government</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CDBG #25 West 4th Street Phase Two</u>	<u>CDBG #20 Endly Street</u>	<u>Cemetery Fund</u>	<u>Woodland Cemetery Fund</u>	
Restricted for						
Block grant expenditures	\$ -	\$ 44,143	\$ 81	\$ -	\$ -	\$ 44,224
Cemetery	-	-	-	-	2,120,480	2,120,480
Assigned for						
Future operating costs	-	-	-	33,837	-	33,837
Nonspendable						
Inventory	<u>13,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,191</u>
	<u>\$ 13,191</u>	<u>\$ 44,143</u>	<u>\$ 81</u>	<u>\$ 33,837</u>	<u>\$ 2,120,480</u>	<u>\$ 2,211,732</u>

20 Landfill Closure and Post-Closure Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The Town will recognize the remaining estimated cost of closure and post-closure care of \$1,161,936 as the cost to finalize closure of its landfill. These amounts are based on what it would cost to perform all closure and post-closure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Town is paying this cost on an annual pay-as-you-go basis. Using June 30, 2019 financial data, the Town has not met the EPA's financial assurance requirements.

21 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through January 12, 2020.

REQUIRED SUPPLEMENTARY INFORMATION



Town of Chase City, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
General Fund				
Revenues				
General Property Taxes				
Real and personal property taxes	\$ 485,000	\$ 485,000	\$ 478,861	\$ (6,139)
Delinquent taxes	21,000	21,000	35,975	14,975
Interest on taxes	4,500	4,500	5,092	592
Penalties on taxes	6,500	6,500	6,629	129
Total General Property Taxes	517,000	517,000	526,557	9,557
Other Local Taxes				
Local sales and use taxes	265,000	265,000	269,420	4,420
Utility and consumption taxes	92,000	92,000	66,874	(25,126)
Business license taxes	120,000	120,000	102,178	(17,822)
Motor vehicle licenses	26,000	26,000	18,127	(7,873)
Bank franchise tax	63,000	63,000	73,012	10,012
Meals tax	205,000	205,000	197,079	(7,921)
Total Other Local Taxes	771,000	771,000	726,690	(44,310)
Permits, Privilege Fees, and Regulatory Licenses				
Other permits, licenses, and fees	250	250	725	475
Total Permits, Privilege Fees, and Regulatory Licenses	250	250	725	475
Fines and Forfeitures				
	28,750	28,750	21,138	(7,612)
Revenue from Use of Money and Property				
Revenue from use of money	8,010	8,010	19,893	11,883
Revenue from use of property	8,900	8,900	9,310	410
Total Use of Money and Property	16,910	16,910	29,203	12,293
Charges for Services				
Garbage fees	193,500	193,500	171,415	(22,085)
Miscellaneous charges	10,000	10,000	4,550	(5,450)
Total Charges for Services	203,500	203,500	175,965	(27,535)
Recovered Costs				
Fire department reimbursements for new truck	-	-	76,649	76,649
Insurance refunds	3,000	3,000	3,467	467
Total Recovered Costs	3,000	3,000	80,116	77,116

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Miscellaneous				
Other miscellaneous	33,650	33,650	17,447	(16,203)
Administrative fee for delinquent taxes	8,000	8,000	12,535	4,535
Total Miscellaneous	41,650	41,650	29,982	(11,668)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Communications taxes	56,000	56,000	45,442	(10,558)
Mobile home titling tax	-	-	75	75
Personal Property Tax Relief Act	66,000	66,000	65,899	(101)
Rolling stock taxes - motor vehicle carriers tax	1,500	1,500	1,292	(208)
Total Noncategorical Aid	123,500	123,500	112,708	(10,792)
<i>Categorical Aid</i>				
Law enforcement grant	60,000	60,000	60,988	988
Drug forfeiture funds	3,500	3,500	-	(3,500)
Street highway funds	460,000	460,000	464,896	4,896
Police Vest	-	-	2,696	2,696
U Haul	700	700	857	157
Litter control	1,600	1,600	1,294	(306)
Department of Aviation	-	-	5,183	5,183
Fire program	10,000	10,000	10,000	-
Total Categorical Aid	535,800	535,800	545,914	10,114
Total Revenue from the Commonwealth of Virginia	659,300	659,300	658,622	(678)
<i>Revenue from the Federal Government</i>				
CDBG planning grant - Endly Street	-	-	20,000	20,000
Edward Byrne Memorial JAG Program	-	-	50,540	50,540
Transportation Highway Safety Grant	6,000	6,000	6,964	964
Total Revenue from the Federal Government	6,000	6,000	77,504	71,504
Total Intergovernmental Revenue	665,300	665,300	736,126	70,826
Total Revenues	2,247,360	2,247,360	2,326,502	79,142
Expenditures				
Current				
<i>General Government Administration</i>				
Town Council	104,496	104,496	76,500	27,996
Town Manager	104,358	104,358	101,274	3,084
Treasurer	179,300	179,300	175,862	3,438
Data Processing	16,400	16,400	14,201	2,199
Total General Government Administration	404,554	404,554	367,837	36,717
<i>Public Safety</i>				
Police Department	761,517	761,517	735,311	26,206
Rescue Squad	1,500	1,500	1,500	-
Fire Department	87,046	87,046	598,947	(511,901)
Total Public Safety	850,063	850,063	1,335,758	(485,695)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	494,508	494,508	466,405	28,103
Refuse disposal	294,858	294,858	271,868	22,990
Maintenance of buildings and grounds	<u>122,543</u>	<u>122,543</u>	<u>121,747</u>	<u>796</u>
Total Public Works	911,909	911,909	860,020	51,889
<i>Parks, Recreation, and Cultural</i>				
Regional library	16,070	16,070	12,800	3,270
Recreation	<u>12,785</u>	<u>12,785</u>	<u>9,857</u>	<u>2,928</u>
Total Parks, Recreation, and Cultural	28,855	28,855	22,657	6,198
<i>Community Development</i>				
Zoning	650	650	144	506
Airport	10,000	10,000	12,768	(2,768)
CDBG Endly Street grant	-	-	20,000	(20,000)
Economic Development	<u>7,100</u>	<u>7,100</u>	<u>5,118</u>	<u>1,982</u>
Total Community Development	17,750	17,750	38,030	(20,280)
<i>Debt Service</i>				
	<u>34,229</u>	<u>34,229</u>	<u>90,614</u>	<u>(56,385)</u>
Total Expenditures	<u>2,247,360</u>	<u>2,247,360</u>	<u>2,714,916</u>	<u>(467,556)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(388,414)	(388,414)
Other Financing Sources (Uses)				
Proceeds from issuance of long term debt	-	-	498,173	498,173
Transfers in from other funds	-	-	-	-
Transfers out to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>498,173</u>	<u>498,173</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	109,759	<u>\$ 109,759</u>
Fund Balance - Beginning of Year			1,246,256	
Change in Inventory			<u>2,041</u>	
Fund Balance - End of Year			<u>\$ 1,358,056</u>	

Variance
With
Final Budget
Positive
(Negative)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Cemetery Fund				
Revenues				
Revenue from Use of Money and Property				
Revenue from use of money	\$ 360	\$ 360	\$ 653	\$ 293
Revenue from use of property	<u>13,700</u>	<u>13,700</u>	<u>9,335</u>	<u>(4,365)</u>
Total Use of Money and Property	14,060	14,060	9,988	(4,072)
Charges for Services - Grave Digging	12,500	12,500	9,300	(3,200)
Miscellaneous	<u>200</u>	<u>200</u>	<u>280</u>	<u>80</u>
Total Revenues	26,760	26,760	19,568	(7,192)
Expenditures				
Current				
<i>Parks, Recreation, and Cultural</i>				
Cemetery Expenses	<u>26,760</u>	<u>26,760</u>	<u>20,908</u>	<u>5,852</u>
Total Expenditures	<u>26,760</u>	<u>26,760</u>	<u>20,908</u>	<u>5,852</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(1,340)	(1,340)
Other Financing Sources (Uses)				
Transfers out to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(1,340)	<u>\$ (1,340)</u>
Fund Balance - Beginning of Year			<u>35,177</u>	
Fund Balance - End of Year			<u>\$ 33,837</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Woodland Cemetery Fund				
Revenues				
Revenue from Use of Money and Property				
Revenue from use of money	\$ -	\$ -	\$ 68,911	\$ 68,911
Total Revenues	-	-	68,911	68,911
Expenditures				
Current				
<i>Parks, Recreation, and Cultural</i>				
Cemetery Expenses	-	-	98,111	(98,111)
Total Expenditures	-	-	98,111	(98,111)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(29,200)	(29,200)
Other Financing Sources (Uses)				
Transfer from general fund	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(29,200)	<u>\$ (29,200)</u>
Fund Balance - Beginning of Year			<u>2,149,680</u>	
Fund Balance - End of Year			<u>\$ 2,120,480</u>	

Town of Chase City, Virginia

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

For the Plan Years Ended June 30, 2014-2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 92,551	\$ 97,803	\$ 100,448	\$ 97,609	\$ 95,110
Interest	387,779	419,693	416,635	403,747	387,961
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	260,626	(593,467)	(158,628)	(70,433)	-
Changes in assumptions	-	(19,839)	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(338,702)</u>	<u>(381,511)</u>	<u>(248,021)</u>	<u>(245,598)</u>	<u>(269,521)</u>
Net change in total pension liability	402,254	(477,321)	110,434	185,325	213,550
Total pension liability - beginning	<u>5,709,048</u>	<u>6,186,369</u>	<u>6,075,935</u>	<u>5,890,610</u>	<u>5,677,060</u>
Total pension liability - ending (a)	<u>\$ 6,111,302</u>	<u>\$ 5,709,048</u>	<u>\$ 6,186,369</u>	<u>\$ 6,075,935</u>	<u>\$ 5,890,610</u>
Plan fiduciary net position					
Contributions - employer	\$ 85,940	\$ 82,383	\$ 123,577	\$ 122,209	\$ 114,470
Contributions - employee	56,857	53,622	55,868	55,343	53,224
Net investment income	410,764	624,819	90,214	230,486	699,769
Benefit Payments, including refunds of employee contributions	<u>(338,702)</u>	<u>(381,511)</u>	<u>(248,021)</u>	<u>(245,598)</u>	<u>(269,521)</u>
Administrative expense	<u>(3,635)</u>	<u>(3,777)</u>	<u>(3,245)</u>	<u>(3,175)</u>	<u>(3,822)</u>
Other	<u>(362)</u>	<u>(549)</u>	<u>(38)</u>	<u>(50)</u>	<u>37</u>
Net change in plan fiduciary net position	210,862	374,987	18,355	159,215	594,157
Plan fiduciary net position - beginning	<u>5,618,296</u>	<u>5,243,309</u>	<u>5,224,954</u>	<u>5,065,739</u>	<u>4,471,582</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,829,158</u>	<u>\$ 5,618,296</u>	<u>\$ 5,243,309</u>	<u>\$ 5,224,954</u>	<u>\$ 5,065,739</u>
Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 282,144</u>	<u>\$ 90,752</u>	<u>\$ 943,060</u>	<u>\$ 850,981</u>	<u>\$ 824,871</u>
Plan fiduciary net position as a percentage of the total Pension liability	95.38%	98.41%	84.76%	85.99%	86.00%
Covered payroll	1,096,588	1,070,207	1,128,484	1,144,446	1,050,148
Political subdivision's net pension liability as a percentage of covered payroll	25.73%	8.48%	83.57%	74.36%	78.55%

Town of Chase City, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 55,978	\$ 55,978	\$ -	\$ 1,112,881	5.03%
2018	87,727	87,727	-	1,096,588	8.00%
2017	85,617	85,617	-	1,070,207	8.00%
2016	124,133	124,133	-	1,128,484	11.00%
2015	125,889	125,889	-	1,144,446	11.00%
2014	112,891	112,891	-	1,050,148	10.75%
2013	112,322	112,322	-	1,044,854	10.75%
2012	39,988	39,988	-	977,696	4.09%
2011	38,535	38,535	-	942,183	4.09%
2010	41,378	41,378	-	917,469	4.51%
2009	45,284	45,284	-	1,004,083	4.51%

For Reference Only:

- Column 1 – Employer contribution rate multiplied by the employer's covered payroll
- Column 2 – Actual employer contribution remitted to VRS
- Column 4 – Employer's covered payroll amount for the fiscal year

Town of Chase City, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Town of Chase City, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance
For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	\$ 94,000	\$ 89,000
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	0.006200%	0.005950%
Employer's Covered Payroll	1,096,588	1,070,207
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.57%	8.32%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the second year of presentation, only two years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

Town of Chase City, Virginia

Schedule of Employer Contributions for OPEB Group Life Insurance

For the Years Ended June 30, 2010 through 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 5,787	\$ 5,787	\$ -	\$ 1,112,881	0.52%
2018	6,100	6,100	-	1,096,588	0.52%
2017	5,704	5,704	-	1,070,207	0.52%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer's covered payroll
- Column 2 – Actual employer contribution remitted to VRS
- Column 4 – Employer's covered payroll amount for the fiscal year

Town of Chase City, Virginia

Notes to Required Supplementary Information – Group Life Insurance

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Chase City, Virginia

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 7,834	\$ 8,084
Interest on total OPEB liability	3,709	3,121
Effect of plan changes	-	-
Effect of economic/demographic gains (losses)	-	-
Effect of assumption changes or inputs	3,406	(3,099)
Benefit payments	<u>(1,810)</u>	<u>(488)</u>
Net change in total OPEB liability	13,139	7,618
Total OPEB liability - beginning	<u>88,923</u>	<u>81,305</u>
Total OPEB liability - ending	<u>\$ 102,062</u>	<u>\$ 88,923</u>
Covered payroll	\$ 1,146,900	\$ 1,146,900
Total OPEB liability as a % of covered payroll	8.90%	7.75%

Trend information is not available for the years 2017 back.

*Total OPEB Liability equals Net OPEB Liability.

Town of Chase City, Virginia

Schedule of Employer Contributions for OPEB Retiree Health Insurance

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ -	\$ -	\$ -	\$ 1,146,900	0.00%
2018	-	-	-	1,146,900	0.00%
2017	-	-	-	1,146,900	0.00%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2016 is not available.

COMPLIANCE SECTION





**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
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**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 Chase City, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chase City, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Chase City, Virginia's basic financial statements, and have issued our report thereon dated January 12, 2020.

Internal Control Over Financial Reporting

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

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

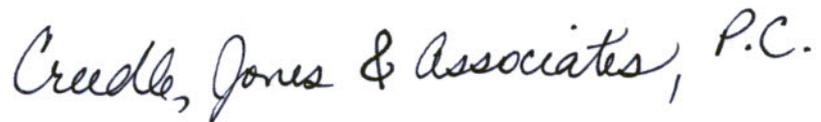
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

South Hill, Virginia
January 12, 2020