

TOWN OF RICH CREEK, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**TOWN OF RICH CREEK, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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**TOWN OF RICH CREEK, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

TOWN OF RICH CREEK, VIRGINIA

TOWN COUNCIL

William C. Kantsios, Mayor
Stuart Helm, Vice-Mayor
Mark Clemons
Alice Huffman
Marty Gautier
Dorsey Bradley

OTHER OFFICIALS

Roger Jones Town Manager
Pam Kantsios Town Treasurer/Clerk

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of the Town Council
Town of Rich Creek, Virginia
Rich Creek, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rich Creek, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' 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; 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 auditors' 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, each major fund, and the aggregate remaining fund information of the Town of Rich Creek, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension funding on pages 55 and 56-58, respectively, 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rich Creek, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of the Town of Rich Creek, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Rich Creek, 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 Rich Creek, Virginia's internal control over financial reporting and compliance.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
November 19, 2018

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Basic Financial Statements

Town of Rich Creek, Virginia
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 96,283	\$ 515,175	\$ 611,458
Restricted cash and cash equivalents - customers' deposits	-	20,069	20,069
Receivables (net of allowance for uncollectibles):			
Taxes receivable	11,600	-	11,600
Accounts receivable	10,192	67,716	77,908
Internal balances	93,158	(93,158)	-
Intergovernmental receivable	8,529	-	8,529
Net pension asset	12,158	7,975	20,133
Capital assets (net of accumulated depreciation):			
Land	4,600	39,679	44,279
Buildings	59,859	-	59,859
Improvements other than buildings	195,066	-	195,066
Machinery and equipment	-	115,295	115,295
Vehicles	-	24,880	24,880
Water system	-	38,360	38,360
Sewer system	-	4,362,324	4,362,324
Total assets	\$ 491,445	\$ 5,098,315	\$ 5,589,760
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 41,394	\$ 27,027	\$ 68,421
Total deferred outflows of resources	\$ 41,394	\$ 27,027	\$ 68,421
LIABILITIES			
Accounts payable	\$ 13,951	\$ 12,044	\$ 25,995
Accrued wages	196	-	196
Customers' deposits	-	20,069	20,069
Accrued interest payable	-	3,479	3,479
Long-term liabilities:			
Due within one year	6,443	48,282	54,725
Due in more than one year	2,148	1,798,325	1,800,473
Total liabilities	\$ 22,737	\$ 1,882,199	\$ 1,904,936
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 1,432	\$ -	\$ 1,432
Pension related items	17,596	12,330	29,926
Total deferred inflows of resources	\$ 19,028	\$ 12,330	\$ 31,358
NET POSITION			
Net investment in capital assets	\$ 259,525	\$ 2,737,272	\$ 2,996,797
Unrestricted	231,549	493,541	725,090
Total net position	\$ 491,074	\$ 3,230,813	\$ 3,721,887

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

Town of Rich Creek, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 214,210	\$ -	\$ -	-	\$ (214,210)	\$ -	\$ (214,210)
Public safety	97,904	4,556	26,786	-	(66,562)	-	(66,562)
Public works	147,574	-	-	42,772	(104,802)	-	(104,802)
Parks, recreation, and cultural	8,701	10,020	-	-	1,319	-	1,319
Community development	2,000	-	-	-	(2,000)	-	(2,000)
Total governmental activities	\$ 470,389	\$ 14,576	\$ 26,786	\$ 42,772	\$ (386,255)	\$ -	\$ (386,255)
Business-type activities:							
Water and Sewer	\$ 677,302	\$ 504,513	\$ 20,266	\$ -	\$ -	\$ (152,523)	\$ (152,523)
Total primary government	\$ 1,147,691	\$ 519,089	\$ 47,052	\$ 42,772	\$ (386,255)	\$ (152,523)	\$ (538,778)
General revenues:							
General property taxes					\$ 127,069	\$ -	\$ 127,069
Other local taxes:							
Local sales and use taxes					33,205	-	33,205
Consumers' utility taxes					15,732	-	15,732
Business license taxes					56,340	-	56,340
Restaurant food taxes					65,219	-	65,219
Bank stock tax					37,096	-	37,096
Cigarette tax					33,000	-	33,000
Other local taxes					16,167	-	16,167
Unrestricted revenues from use of money and property					11,247	-	11,247
Miscellaneous					34,777	-	34,777
Grants and contributions not restricted to specific programs					22,017	-	22,017
Total general revenues					\$ 451,869	\$ -	\$ 451,869
Change in net position					\$ 65,614	\$ (152,523)	\$ (86,909)
Net position - beginning					425,460	3,383,336	3,808,796
Net position - ending					\$ 491,074	\$ 3,230,813	\$ 3,721,887

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

Town of Rich Creek, Virginia
Balance Sheet
Governmental Fund
June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 96,283
Receivables (net of allowance for uncollectibles):	
Taxes receivable	11,600
Accounts receivable	10,192
Due from other funds	93,158
Intergovernmental receivable	8,529
Total assets	<u>\$ 219,762</u>
LIABILITIES	
Accounts payable	\$ 13,951
Accrued wages	196
Total liabilities	<u>\$ 14,147</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 11,423
Unavailable revenue - prepaid taxes	1,432
Total deferred inflows of resources	<u>\$ 12,855</u>
FUND BALANCE	
Committed:	
Recreation	\$ 13,283
Unassigned	179,477
Total fund balances	<u>\$ 192,760</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 219,762</u>

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

Town of Rich Creek, Virginia
 Reconciliation of the Balance Sheet of Governmental Fund
 to the Statement of Net Position
 June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	192,760
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	4,600	
Buildings		59,859	
Improvements other than buildings		195,066	259,525

The net pension asset is not an available resource and, therefore, is not reported in the funds.		12,158
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.

Unavailable revenue - property taxes		11,423
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items		41,394
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences		(8,590)
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Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items		(17,596)
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Net position of governmental activities	\$	491,074
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Rich Creek, Virginia
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	<u>General</u>
REVENUES	
General property taxes	\$ 133,326
Other local taxes	256,759
Fines and forfeitures	4,556
Revenue from the use of money and property	11,247
Charges for services	10,020
Miscellaneous	34,777
Intergovernmental:	
Commonwealth	48,803
Federal	42,772
Total revenues	<u>\$ 542,260</u>
EXPENDITURES	
Current:	
General government administration	\$ 209,562
Public safety	98,124
Public works	128,906
Parks, recreation, and cultural	8,701
Community development	2,000
Total expenditures	<u>\$ 447,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 94,967</u>
Net change in fund balance	\$ 94,967
Fund balance - beginning	97,793
Fund balance - ending	<u>\$ 192,760</u>

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

Town of Rich Creek, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Change in Fund Balances of Governmental Fund
 to the Statement of Activities
 For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 94,967
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.		
Depreciation expense	(21,766)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue - property taxes	(6,257)	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	(726)	
Pension expense	(604)	(1,330)
Change in net position of governmental activities		<u>\$ 65,614</u>

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

Town of Rich Creek, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	Proprietary Funds		
	Water and Sewer	Glen Creek STP	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 619,010	\$ -	\$ 619,010
Restricted cash and cash equivalents - customers' deposits	20,069	-	20,069
Accounts receivables, net of allowance for uncollectibles	59,763	7,953	67,716
Total current assets	<u>\$ 698,842</u>	<u>\$ 7,953</u>	<u>\$ 706,795</u>
Noncurrent assets:			
Net pension asset	\$ 5,356	\$ 2,619	\$ 7,975
Capital assets:			
Land	\$ 39,679	\$ -	\$ 39,679
Sewer system	6,200,741	-	6,200,741
Water system	1,114,182	-	1,114,182
Vehicles	106,207	-	106,207
Equipment	168,758	-	168,758
Accumulated depreciation	(3,049,029)	-	(3,049,029)
Total capital assets	<u>\$ 4,580,538</u>	<u>\$ -</u>	<u>\$ 4,580,538</u>
Total noncurrent assets	<u>\$ 4,585,894</u>	<u>\$ 2,619</u>	<u>\$ 4,588,513</u>
Total assets	<u>\$ 5,284,736</u>	<u>\$ 10,572</u>	<u>\$ 5,295,308</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 18,630	\$ 8,397	\$ 27,027
Total deferred outflows of resources	<u>\$ 18,630</u>	<u>\$ 8,397</u>	<u>\$ 27,027</u>
LIABILITIES			
Current liabilities:			
Reconciled cash overdraft	\$ -	\$ 103,835	\$ 103,835
Accounts payable	9,107	2,937	12,044
Customers' deposits	20,069	-	20,069
Accrued interest payable	3,479	-	3,479
Due to General fund	93,158	-	93,158
Compensated absences - current portion	2,506	-	2,506
Bonds payable - current portion	34,326	-	34,326
Capital lease - current portion	11,450	-	11,450
Total current liabilities	<u>\$ 174,095</u>	<u>\$ 106,772</u>	<u>\$ 280,867</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 835	\$ -	\$ 835
Bonds payable - net of current portion	1,717,253	-	1,717,253
Capital lease - net of current portion	80,237	-	80,237
Total noncurrent liabilities	<u>\$ 1,798,325</u>	<u>\$ -</u>	<u>\$ 1,798,325</u>
Total liabilities	<u>\$ 1,972,420</u>	<u>\$ 106,772</u>	<u>\$ 2,079,192</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 8,046	4,284	\$ 12,330
NET POSITION			
Net investment in capital assets	\$ 2,737,272	\$ -	\$ 2,737,272
Unrestricted	585,628	(92,087)	493,541
Total net position (deficit)	<u>\$ 3,322,900</u>	<u>\$ (92,087)</u>	<u>\$ 3,230,813</u>

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

Town of Rich Creek, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Proprietary Funds		
	Water and Sewer	Glen Creek STP	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 219,575	\$ -	\$ 219,575
Sewer revenues	271,234	-	271,234
Water and sewer connection fees	11,210	-	11,210
Glen Lyn revenues	-	20,266	20,266
Miscellaneous revenue	2,494	-	2,494
Total operating revenues	<u>\$ 504,513</u>	<u>\$ 20,266</u>	<u>\$ 524,779</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 92,685	\$ 36,773	\$ 129,458
Utilities	8,969	23,833	32,802
Purchase of water	94,304	-	94,304
Supplies, maintenance and repairs	43,397	31,861	75,258
Office expense	2,632	666	3,298
Insurance	2,559	6,000	8,559
Professional services	-	9,879	9,879
Capital outlay	-	15,780	15,780
Miscellaneous	27,184	562	27,746
Depreciation	233,761	-	233,761
Total operating expenses	<u>\$ 505,491</u>	<u>\$ 125,354</u>	<u>\$ 630,845</u>
Operating income (loss)	<u>\$ (978)</u>	<u>\$ (105,088)</u>	<u>\$ (106,066)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	\$ (46,457)	\$ -	\$ (46,457)
Income (loss) before transfers	<u>\$ (47,435)</u>	<u>\$ (105,088)</u>	<u>\$ (152,523)</u>
Transfers in	-	102,908	102,908
Transfers out	(102,908)	-	(102,908)
Change in net position	<u>\$ (150,343)</u>	<u>\$ (2,180)</u>	<u>\$ (152,523)</u>
Total net position (deficit) - beginning	3,473,243	(89,907)	3,383,336
Total net position (deficit) - ending	<u>\$ 3,322,900</u>	<u>\$ (92,087)</u>	<u>\$ 3,230,813</u>

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

Town of Rich Creek, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Proprietary Funds		
	Water and Sewer	Glen Creek STP	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 489,573	\$ 15,263	\$ 504,836
Payments to suppliers	(178,246)	(87,911)	(266,157)
Payments to and for employees	(82,187)	(36,590)	(118,777)
Net cash provided by (used for) operating activities	\$ 229,140	\$ (109,238)	\$ 119,902
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (102,908)	\$ -	\$ (102,908)
Transfers from other funds	-	102,908	102,908
Net cash provided by (used for) noncapital financing activities	\$ (102,908)	\$ 102,908	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (100,000)	\$ -	\$ (100,000)
Principal payments on indebtedness	(41,791)	-	(41,791)
Proceeds from indebtedness	100,000	-	100,000
Interest expense	(46,524)	-	(46,524)
Net cash provided by (used for) capital and related financing activities	\$ (88,315)	\$ -	\$ (88,315)
Net increase (decrease) in cash and cash equivalents	\$ 37,917	\$ (6,330)	\$ 31,587
Cash and cash equivalents - beginning (includes \$19,919 restricted cash and cash equivalents)	601,162	(97,505)	503,657
Cash and cash equivalents - ending (includes \$20,069 restricted cash and cash equivalents)	\$ 639,079	\$ (103,835)	\$ 535,244
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (978)	\$ (105,088)	\$ (106,066)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 233,761	\$ -	\$ 233,761
(Increase) decrease in accounts receivable	(15,090)	(5,003)	(20,093)
(Increase) decrease in deferred outflows of resources	(7,608)	(3,602)	(11,210)
(Increase) decrease in net pension asset	7,824	2,668	10,492
Increase (decrease) in customer deposits	150	-	150
Increase (decrease) in operating accounts payable	799	670	1,469
Increase (decrease) in compensated absences	(929)	-	(929)
Increase (decrease) in due to other funds	10,972	-	10,972
Increase (decrease) in deferred inflows of resources	239	1,117	1,356
Total adjustments	\$ 230,118	\$ (4,150)	\$ 225,968
Net cash provided by (used for) operating activities	\$ 229,140	\$ (109,238)	\$ 119,902

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

Town of Rich Creek, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2018

	<u>Cemetery Trust Fund</u>	<u>Agency Fund Library Fund</u>
ASSETS		
Cash and cash equivalents	\$ 19,104	\$ 3,361
	<u> </u>	<u> </u>
LIABILITIES		
Amounts held for Library	\$ -	\$ 3,361
	<u> </u>	<u> </u>
NET POSITION		
Held in trust for Cemetery expenses	\$ 19,104	\$ -
	<u> </u>	<u> </u>

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

Town of Rich Creek, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Cemetery Trust Fund
ADDITIONS	
Contributions:	
Private donations	\$ 1,100
Total additions	<u>\$ 1,100</u>
DEDUCTIONS	
Maintenance	\$ 1,556
Total deductions	<u>\$ 1,556</u>
Change in net position	\$ (456)
Net position - beginning	19,560
Net position - ending	<u><u>\$ 19,104</u></u>

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

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies:

The financial statements of Town of Rich Creek, Virginia (the Town) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial Reporting Entity:

Town of Rich Creek, Virginia is a municipal corporation governed by an elected six-member Town Council. The accompanying financial statements present the Town. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - Town of Rich Creek along with the County of Giles, the Towns of Pearisburg, Narrows, Glen Lyn, and Pembroke, participate in supporting Giles County Public Service Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions.

B. Government-wide and Fund Financial Statements:

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

The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (continued)

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 expenditure. 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 the government receives cash.

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

The Town operates a sewage collection and treatment system and a water distribution system. The activities of the systems are accounted for in the water and sewer fund.

The Town entered into an agreement with Town of Glen Lyn, Virginia to obtain a low interest United States Department of Agriculture (USDA) - Rural Development loan to construct a jointly owned and operated wastewater treatment facility. The costs to construct the facility were split by the engineers and each Town paid their appropriate share. The portion of the facility and loan belonging to Town of Rich Creek, Virginia is included in the above mentioned water and sewer fund. However, the Town pays 100% of the operating costs for the facility. These costs are paid for in the Glen Creek STP fund. These expenses are reimbursed from the Town's water and sewer fund and from Town of Glen Lyn, Virginia based on usage.

Additionally, the Town reports the following fund types:

Fiduciary funds account for assets held by the Town in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units or other funds. Agency funds include the Library fund and the Town also accounts for Cemetery revenues and expenses in the Cemetery Trust fund.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance:

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on March 15th. Personal property taxes are due and collectible annually on March 15th. The Town bills and collects its own property taxes.

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$9,587 for property taxes and \$21,565 for water and sewer receivables at June 30, 2018.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	5-15
Land improvements	15

6. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

**D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance:
(continued)**

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and contributions to the pension made during the current year and subsequent to the net pension asset measurement date. For more detailed information on these items, reference the related notes.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (continued)

8. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

9. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - 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 action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (continued)

9. Fund Equity (continued)

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

10. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town'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.

11. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Net Position Flow Assumption

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

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance: (continued)

13. Deferred/Unavailable Revenue

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$11,423 at June 30, 2018.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$1,432 at June 30, 2018.

Note 2 - Stewardship, Compliance, and Accountability:

A. Budgetary information:

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

1. Prior to June 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General Fund has a legally adopted budget.
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 level. Only the Town Council can revise the appropriation for the General Fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town units. No supplemental appropriations were necessary during this fiscal year.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 2 - Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information: (Continued)

8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Excess of expenditures over appropriations:

For the year ended June 30, 2018, the General Fund had no expenditures in excess of appropriations.

C. Deficit fund equity:

At June 30, 2018, the Glen Creek STP Fund was the only fund with deficit fund equity.

Note 3 - Deposits and Investments:

A. Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporations (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.

B. Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2018, the Town did not have any investments.

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 4 - Intergovernmental Receivables:

The following amounts represent receivables from other governments at year-end:

	<u>General Fund</u>
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 2,605
Communication sales tax	615
<u>Federal Government:</u>	
Categorical aid	5,309
Total	<u>\$ 8,529</u>

Note 5 - Interfund Obligations and Transfers:

<u>Fund</u>	<u>Due to General Fund</u>	<u>Due from Proprietary Fund</u>
General Fund	<u>\$ -</u>	<u>\$ 93,158</u>
Proprietary Fund	<u>\$ 93,158</u>	<u>\$ -</u>

The Town uses the General Fund to pay all salaries and benefits. The amount noted above represents amounts paid out of the General Fund to personnel of the Water and Sewer Fund for fiscal year ended June 30, 2018.

Interfund transfers for the fiscal year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Water and Sewer Fund	\$ -	\$ 102,908
Glen Creek STP Fund	102,908	-
	<u>\$ 102,908</u>	<u>\$ 102,908</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6 - Long-term Obligations:

A. Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2018:

	Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Compensated absences	\$ 7,864	\$ 6,624	\$ (5,898)	\$ 8,590

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
Compensated absences	\$ 8,590	\$ 6,443

B. Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2018:

	Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 1,785,057	\$ -	\$ (33,478)	\$ 1,751,579
Capital lease	-	100,000	(8,313)	91,687
Compensated absences	4,270	2,274	(3,203)	3,341
Total	\$ 1,789,327	\$ 102,274	\$ (44,994)	\$ 1,846,607

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6 - Long-term Obligations: (continued)

B. Primary Government - Business-type Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>General Obligation Bonds:</u>		
\$1,905,000 Rural Development Bond issued September 1, 2011. Combined principal and interest payments of \$6,477 began on October 1, 2013 and are due monthly through August, 2051. Interest on the bond accrues at 2.5%.	\$ 1,751,579	\$ 34,326
Total General Obligation Bonds	\$ 1,751,579	\$ 34,326
<u>Other Obligations:</u>		
Capital lease	\$ 91,687	\$ 11,450
Compensated absences	3,341	2,506
Total Other Obligations	\$ 95,028	\$ 13,956
Total Long-term Obligations	\$ 1,846,607	\$ 48,282

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 34,326	\$ 43,398
2020	35,194	42,530
2021	36,084	41,640
2022	36,997	40,727
2023	37,932	39,792
2024-2028	204,545	184,075
2029-2033	231,750	156,870
2034-2038	262,573	126,047
2039-2043	297,496	91,124
2044-2048	337,063	51,557
2049-2052	237,619	9,827
Totals	\$ 1,751,579	\$ 827,587

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 7 - Capital Lease:

The Town entered into a lease agreement to finance equipment at the Town's water and sewer operations. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the minimum lease payments at the date of inception.

The asset acquired through capital lease is as follows:

	Business-type Activities
Equipment	\$ 100,000
Accumulated Depreciation	(6,667)
Total	<u>\$ 93,333</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30,	Equipment
2019	\$ 14,122
2020	14,122
2021	14,122
2022	14,122
2023	14,122
2024-2026	31,775
Subtotal	<u>\$ 102,385</u>
Less: amount representing interest	<u>(10,698)</u>
Present value of lease agreement	<u>\$ 91,687</u>

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none">• 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.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> 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.
<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* School division 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) 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.</p>	<p>Hybrid Opt-In Election (Cont.) 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.</p>	<p>*Non-Eligible Members (Cont.) 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.</p>
<p>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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>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.</p>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>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.</p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) Defined Contributions Component: (Cont.) 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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1.</p>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) 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.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> 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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	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 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.	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.	Service Retirement Multiplier <u>Defined Benefit Component:</u> 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. <u>Defined Contribution Component:</u> Not applicable.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>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.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> 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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p>	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	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.	Disability Coverage Employees of political subdivisions and School divisions (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 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 toward 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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	2
Inactive members active elsewhere in VRS	1
Total inactive members	3
Active members	6
Total covered employees	11

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 6.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. However, during 2018, the Town paid a higher contribution rate of 8.30% of covered employee compensation.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Contributions (Continued)

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 Town were \$15,658 and \$15,435 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

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.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

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 compound 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.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% pf 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, 2016 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)	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 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	Increased rate from 14% to 20%

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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 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	Increased rate from 14% to 15%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

Largest 10 - Non-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 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.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates: (Continued)

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, 2016 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 health, 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	Decrease rate from 60% to 70%

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement health, 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 age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.60%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
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%.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at June 30, 2016	\$ 285,140	\$ 330,455	\$ (45,315)
Changes for the year:			
Service cost	\$ 24,105	\$ -	\$ 24,105
Interest	19,562	-	19,562
Change in assumptions	(5,064)	-	(5,064)
Differences between expected and actual experience	52,312	-	52,312
Contributions - employer	-	15,435	(15,435)
Contributions - employee	-	9,245	(9,245)
Net investment income	-	41,312	(41,312)
Benefit payments, including refunds of employee contributions	(11,356)	(11,356)	-
Administrative expenses	-	(221)	221
Other changes	-	(38)	38
Net changes	\$ 79,559	\$ 54,377	\$ 25,182
Balances at June 30, 2017	\$ 364,699	\$ 384,832	\$ (20,133)

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

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

The following presents the net pension liability (asset) of the Town using the discount rate of 7.00%, as well as what the Town's and net pension liability (asset) 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:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town of Rich Creek			
Net Pension Liability (Asset)	\$ 30,106	\$ (20,133)	\$ (62,045)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$16,900. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,125	\$ 19,895
Change in assumptions	-	3,975
Net difference between projected and actual earnings on pension plan investments	-	5,418
Change in proportion	638	638
Employer contributions subsequent to the measurement date	15,658	-
Total	\$ 68,421	\$ 29,926

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8 - Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$15,658 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. 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>		<u>Primary Government</u>
2019	\$	5,810
2020		9,890
2021		7,345
2022		(208)
2023		-
Thereafter		-

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9 - Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 4,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,600</u>
Capital assets, being depreciated:				
Buildings	\$ 259,979	\$ -	\$ -	\$ 259,979
Machinery and equipment	253,894	-	-	253,894
Vehicles	422,186	-	-	422,186
Improvements other than buildings	315,471	-	-	315,471
Total capital assets being depreciated	<u>\$ 1,251,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,251,530</u>
Accumulated depreciation:				
Buildings	\$ (198,015)	\$ (2,105)	\$ -	\$ (200,120)
Machinery and equipment	(253,894)	-	-	(253,894)
Vehicles	(422,186)	-	-	(422,186)
Improvements other than buildings	(100,744)	(19,661)	-	(120,405)
Total accumulated depreciation	<u>\$ (974,839)</u>	<u>\$ (21,766)</u>	<u>\$ -</u>	<u>\$ (996,605)</u>
Total capital assets being depreciated, net	<u>\$ 276,691</u>	<u>\$ (21,766)</u>	<u>\$ -</u>	<u>\$ 254,925</u>
Governmental activities capital assets, net	<u>\$ 281,291</u>	<u>\$ (21,766)</u>	<u>\$ -</u>	<u>\$ 259,525</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government administration	\$ 3,098
Public works	<u>18,668</u>
Total depreciation expense-governmental activities	<u>\$ 21,766</u>

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9 - Capital Assets: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 39,679	\$ -	\$ -	\$ 39,679
Capital assets, being depreciated:				
Water system	\$ 1,114,182	\$ -	\$ -	\$ 1,114,182
Sewer system	6,200,741	-	-	6,200,741
Vehicles	106,207	-	-	106,207
Equipment	68,758	100,000	-	168,758
Total capital assets being depreciated	<u>\$ 7,489,888</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 7,589,888</u>
Accumulated depreciation:				
Water system	\$ (1,047,394)	\$ (28,428)	\$ -	\$ (1,075,822)
Sewer system	(1,661,243)	(177,174)	-	(1,838,417)
Vehicles	(65,060)	(16,267)	-	(81,327)
Equipment	(41,571)	(11,892)	-	(53,463)
Total accumulated depreciation	<u>\$ (2,815,268)</u>	<u>\$ (233,761)</u>	<u>\$ -</u>	<u>\$ (3,049,029)</u>
Total capital assets being depreciated, net	<u>\$ 4,674,620</u>	<u>\$ (133,761)</u>	<u>\$ -</u>	<u>\$ 4,540,859</u>
Business-type Activities capital assets, net	<u>\$ 4,714,299</u>	<u>\$ (133,761)</u>	<u>\$ -</u>	<u>\$ 4,580,538</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water and Sewer	<u>\$ 233,761</u>

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10 - 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; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 - Commitments and Contingencies:

Riverview Commons, Inc.

On July 17, 2013, the Town agreed to help Riverview Commons, Inc. build an assisted living facility in Town by obtaining and processing a federal community development block grant (CDBG). The Town helped Riverview Commons, Inc. obtain a contract for construction in the amount of \$1,552,000. The Town will only participate in processing the first \$700,000 of the contract because the Town was awarded the CDBG grant. After the exhaustion of the \$700,000 CDBG grant, Riverview Commons, Inc. will be responsible for paying the remaining costs.

As part of the agreement, the Town certified Riverview Commons, Inc. will continue to operate an assisted living facility in the building for at least 20 years. If the assisted living facility does not continue operations for 20 years the \$700,000 grant is to be returned to the federal government pro-rata. This certification was accomplished through a deed of trust which also provided the Town first lien on the building in case of default.

Construction Commitments:

	Contract Amount	Outstanding 6/30/2018	Accounts Payable	Retainage Payable
Sidewalk project	\$ 89,431	\$ 41,874	\$ -	\$ -

Note 12 - Litigation:

As of June 30, 2018, there were no matters of litigation involving the Town which would materially affect the Town's financial position should a court decision on pending matters not be favorable.

Note 13 - Subsequent Events:

In July 2018, the Town paid off the remaining balance on the BB&T backhoe capital lease.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14 - Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14 - Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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Required Supplementary Information

Town of Rich Creek, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 133,000	\$ 133,000	\$ 133,326	\$ 326
Other local taxes	247,400	247,400	256,759	9,359
Fines and forfeitures	7,000	7,000	4,556	(2,444)
Revenue from the use of money and property	7,570	7,570	11,247	3,677
Charges for services	9,000	9,000	10,020	1,020
Miscellaneous	6,600	6,600	34,777	28,177
Intergovernmental:				
Commonwealth	34,164	34,164	48,803	14,639
Federal	357,203	357,203	42,772	(314,431)
Total revenues	<u>\$ 801,937</u>	<u>\$ 801,937</u>	<u>\$ 542,260</u>	<u>\$ (259,677)</u>
EXPENDITURES				
Current:				
General government administration	\$ 260,189	\$ 260,189	\$ 209,562	\$ 50,627
Public safety	111,578	111,578	98,124	13,454
Public works	419,107	419,107	128,906	290,201
Parks, recreation, and cultural	9,063	9,063	8,701	362
Community development	2,000	2,000	2,000	-
Total expenditures	<u>\$ 801,937</u>	<u>\$ 801,937</u>	<u>\$ 447,293</u>	<u>\$ 354,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,967</u>	<u>\$ 94,967</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,967</u>	<u>\$ 94,967</u>
Fund balance - beginning	-	-	97,793	97,793
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,760</u>	<u>\$ 192,760</u>

Town of Rich Creek, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 24,105	\$ 26,799	\$ 30,653	\$ 24,766
Interest	19,562	19,818	16,029	13,545
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	52,312	(30,979)	23,267	-
Changes in assumptions	(5,064)	-	-	-
Benefit payments, including refunds of employee contributions	(11,356)	(27,226)	(4,402)	(1,261)
Net change in total pension liability	\$ 79,559	\$ (11,588)	\$ 65,547	\$ 37,050
Total pension liability - beginning	285,140	296,728	231,181	194,131
Total pension liability - ending (a)	\$ 364,699	\$ 285,140	\$ 296,728	\$ 231,181
Plan fiduciary net position				
Contributions - employer	\$ 15,435	\$ 17,967	\$ 18,899	\$ 25,647
Contributions - employee	9,245	9,619	10,125	10,403
Net investment income	41,312	5,995	13,842	36,655
Benefit payments, including refunds of employee contributions	(11,356)	(27,226)	(4,402)	(1,261)
Administrative expense	(221)	(192)	(162)	(166)
Other	(38)	(2)	(1)	2
Net change in plan fiduciary net position	\$ 54,377	\$ 6,161	\$ 38,301	\$ 71,280
Plan fiduciary net position - beginning	330,455	324,294	285,993	214,713
Plan fiduciary net position - ending (b)	\$ 384,832	\$ 330,455	\$ 324,294	\$ 285,993
Town's net pension liability (asset) - ending (a) - (b)	\$ (20,133)	\$ (45,315)	\$ (27,566)	\$ (54,812)
Plan fiduciary net position as a percentage of the total pension liability	105.52%	115.89%	109.29%	123.71%
Covered payroll	\$ 185,964	\$ 195,914	\$ 204,314	\$ 208,852
Town's net pension liability (asset) as a percentage of covered payroll	-10.83%	-23.13%	-13.49%	-26.24%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Town of Rich Creek, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	\$ 11,512	\$ 15,658	\$ (4,146)	\$ 188,651	8.30%
2017	11,102	15,435	(4,333)	185,964	8.30%
2016	18,122	17,967	-	195,914	9.25%
2015	18,899	18,899	-	204,314	9.25%
2014	25,713	25,647	-	208,852	12.28%
2013	20,964	20,964	-	189,377	11.07%
2012	15,798	15,798	-	190,337	8.30%
2011	14,439	14,439	-	173,963	8.30%
2010	15,376	15,376	-	173,745	8.85%
2009	12,068	12,068	-	136,359	8.85%

Town of Rich Creek, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

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)	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 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	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

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 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	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

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 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	Decreased rate from 60% to 45%

Other Supplementary Information

Town of Rich Creek, Virginia
 Statement of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2018

<u>Library Fund</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
ASSETS				
Cash and cash equivalents	\$ 3,306	\$ 255	\$ 200	\$ 3,361
LIABILITIES				
Amounts held for Library	\$ 3,306	\$ 255	\$ 200	\$ 3,361

Town of Rich Creek, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
All property taxes	\$ 133,000	\$ 133,000	\$ 133,326	\$ 326
Other local taxes:				
Local sales and use tax	\$ 35,000	\$ 35,000	\$ 33,205	\$ (1,795)
Consumers' utility tax	17,000	17,000	15,732	(1,268)
Consumption taxes	3,400	3,400	3,472	72
Business license tax	60,000	60,000	56,340	(3,660)
Motor vehicle licenses	10,000	10,000	10,564	564
Bank stock tax	30,000	30,000	37,096	7,096
Hotel and motel room tax	2,000	2,000	2,131	131
Restaurant food taxes	60,000	60,000	65,219	5,219
Cigarette tax	30,000	30,000	33,000	3,000
Total other local taxes	\$ 247,400	\$ 247,400	\$ 256,759	\$ 9,359
Fines and forfeitures:				
Court fines and forfeitures	\$ 7,000	\$ 7,000	\$ 4,556	\$ (2,444)
Revenue from use of money and property:				
Revenue from use of money	\$ 70	\$ 70	\$ 20	\$ (50)
Revenue from use of property	7,500	7,500	11,227	3,727
Total revenue from use of money and property	\$ 7,570	\$ 7,570	\$ 11,247	\$ 3,677
Charges for services:				
Charges for parks and recreation	\$ 9,000	\$ 9,000	\$ 10,020	\$ 1,020
Miscellaneous:				
Library donations	\$ 3,600	\$ 3,600	\$ 3,600	\$ -
Miscellaneous	3,000	3,000	31,177	28,177
Total miscellaneous	\$ 6,600	\$ 6,600	\$ 34,777	\$ 28,177
Total revenue from local sources	\$ 410,570	\$ 410,570	\$ 450,685	\$ 40,115
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Payment in lieu	\$ -	\$ -	\$ 2,300	\$ 2,300
Communications tax	7,500	7,500	7,227	(273)
Personal property tax relief act funds	-	-	12,490	12,490
Total noncategorical aid	\$ 7,500	\$ 7,500	\$ 22,017	\$ 14,517
Categorical aid:				
Other categorical aid:				
Local law enforcement grants	\$ 16,664	\$ 16,664	\$ 16,664	\$ -
Asset forfeiture funds	-	-	122	122
Fire program funds	10,000	10,000	10,000	-
Total other categorical aid	\$ 26,664	\$ 26,664	\$ 26,786	\$ 122
Total revenue from the Commonwealth	\$ 34,164	\$ 34,164	\$ 48,803	\$ 14,639

Town of Rich Creek, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal policing grants	\$ 5,203	\$ 5,203	\$ -	\$ (5,203)
TEA-21 grant	352,000	352,000	42,772	(309,228)
Total categorical aid	<u>\$ 357,203</u>	<u>\$ 357,203</u>	<u>\$ 42,772</u>	<u>\$ (314,431)</u>
Total revenue from the federal government	<u>\$ 357,203</u>	<u>\$ 357,203</u>	<u>\$ 42,772</u>	<u>\$ (314,431)</u>
Total General Fund	<u>\$ 801,937</u>	<u>\$ 801,937</u>	<u>\$ 542,260</u>	<u>\$ (259,677)</u>

Town of Rich Creek, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018

<u>Fund, Function, Sub-Function and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 9,600	\$ 9,600	\$ 9,600	\$ -
General and financial administration:				
Administrative	\$ 241,214	\$ 241,214	\$ 191,587	\$ 49,627
Audit Services	9,375	9,375	8,375	1,000
Total general and financial administration	\$ 250,589	\$ 250,589	\$ 199,962	\$ 50,627
Total general government administration	\$ 260,189	\$ 260,189	\$ 209,562	\$ 50,627
Public safety:				
Law enforcement and traffic control:				
Police Department	\$ 82,541	\$ 82,541	\$ 72,378	\$ 10,163
Fire and rescue services:				
Volunteer Fire Department	\$ 29,037	\$ 29,037	\$ 25,746	\$ 3,291
Total public safety	\$ 111,578	\$ 111,578	\$ 98,124	\$ 13,454
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street Maintenance	\$ 398,093	\$ 398,093	\$ 108,886	\$ 289,207
Maintenance of general buildings and grounds:				
Municipal Building	\$ 21,014	\$ 21,014	\$ 20,020	\$ 994
Total public works	\$ 419,107	\$ 419,107	\$ 128,906	\$ 290,201
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and Recreation	\$ 9,063	\$ 9,063	\$ 8,701	\$ 362
Community development:				
Planning and community development:				
Riverview Commons, Inc.	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total General Fund	\$ 801,937	\$ 801,937	\$ 447,293	\$ 354,644

Other Statistical Information

Table 1

Town of Rich Creek, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Total
2008-09	\$ 194,722	\$ 64,536	\$ 147,179	\$ 9,865	\$ -	\$ 493	\$ 511,124	\$ 927,919
2009-10	171,167	67,430	66,638	30,755	-	271	479,778	816,039
2010-11	212,031	188,222	64,466	22,732	-	44	466,896	954,391
2011-12	184,710	121,621	505,189	12,509	-	604	529,760	1,354,393
2012-13	158,914	142,943	205,869	18,056	-	257	500,473	1,026,512
2013-14	182,621	151,836	125,987	7,420	175,951	21	717,019	1,360,855
2014-15	194,671	148,726	893,983	14,153	519,773	-	702,792	2,474,098
2015-16	248,413	122,000	146,790	15,208	-	-	735,501	1,267,912
2016-17	278,281	113,607	88,385	23,185	-	-	640,630	1,144,088
2017-18	214,210	97,904	147,574	8,701	2,000	-	677,302	1,147,691

Table 2

Town of Rich Creek, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2008-09	\$ 416,281	\$ 28,751	\$ 52,552	\$	103,132	130,859	10,154	\$ 20,218	\$ 12,490	\$ 774,437
2009-10	404,886	28,591	7,645		113,682	177,905	8,347	14,956	20,689	776,701
2010-11	443,495	24,732	38,392		115,768	191,381	7,909	16,941	20,650	859,268
2011-12	467,625	28,220	2,169,286		112,771	182,835	12,255	15,060	19,783	3,007,835
2012-13	470,175	31,999	1,709,992		127,399	184,796	11,012	7,645	20,553	2,563,571
2013-14	467,014	48,467	330,687		120,881	188,140	7,262	34,634	20,355	1,217,440
2014-15	492,273	39,216	1,207,155		124,987	235,737	8,489	22,859	20,344	2,151,060
2015-16	471,968	39,215	305,791		128,937	246,511	7,764	10,463	20,081	1,230,730
2016-17	444,449	50,229	16,993		135,730	240,179	9,854	6,161	19,895	923,490
2017-18	519,089	47,052	42,772		127,069	256,759	11,247	34,777	22,017	1,060,782

Table 3

Town of Rich Creek, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2008-09	\$ 185,399	\$ 64,536	\$ 143,893	\$ 22,440	\$ -	\$ 5,123	\$ 421,391
2009-10	163,316	67,430	63,303	39,715	-	5,123	338,887
2010-11	203,922	78,694	64,269	34,069	-	2,959	383,913
2011-12	209,417	114,230	648,161	17,260	-	9,243	998,311
2012-13	148,647	97,123	193,569	15,350	-	5,823	460,512
2013-14	178,115	105,732	114,987	4,714	175,951	2,016	581,515
2014-15	189,573	105,279	1,016,556	11,447	519,773	-	1,842,628
2015-16	242,020	94,058	128,073	12,502	-	-	476,653
2016-17	271,834	111,899	70,062	21,155	-	-	474,950
2017-18	209,562	98,124	128,906	8,701	2,000	-	447,293

Table 4

Town of Rich Creek, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Revenue from the										Total
	General Property Taxes	Other Local Taxes	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental			
2008-09	\$ 104,544	\$ 130,859	\$ 5,801	\$ 10,154	\$ 4,856	\$ 20,218	\$ 16,462	\$ 93,793	\$		\$ 386,687
2009-10	107,692	177,905	5,682	8,347	4,950	14,956	13,876	56,925			390,333
2010-11	113,437	191,381	3,671	7,909	7,355	16,941	14,195	83,774			438,663
2011-12	117,579	182,835	11,805	10,595	8,159	15,060	7,371	565,251			918,655
2012-13	124,322	184,796	6,819	9,601	18,242	7,645	-	132,069			483,494
2013-14	123,365	188,140	14,674	6,389	10,377	34,634	-	242,880			620,459
2014-15	120,994	235,737	8,770	7,914	10,412	22,859	-	1,252,837			1,659,523
2015-16	129,884	246,511	6,520	7,588	10,042	10,463	-	145,098			556,106
2016-17	131,390	240,179	6,649	9,854	10,672	6,161	-	77,336			482,241
2017-18	133,326	256,759	4,556	11,247	10,020	34,777	-	91,575			542,260

Table 5

Town of Rich Creek, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2008-09	\$ 121,378	\$ 113,612	93.60%	\$ 3,422	\$ 117,034	96.42%	\$ 6,445	5.31%
2009-10	117,821	115,760	98.25%	4,422	120,182	102.00%	12,572	10.67%
2010-11	124,313	119,962	96.50%	5,965	125,927	101.30%	15,178	12.21%
2011-12	126,359	124,088	98.20%	5,981	130,069	102.94%	16,440	13.01%
2012-13	133,622	130,355	97.56%	6,457	136,812	102.39%	15,893	11.89%
2013-14	134,269	129,269	96.28%	6,586	135,855	101.18%	12,701	9.46%
2014-15	131,848	129,364	98.12%	4,120	133,484	101.24%	13,301	10.09%
2015-16	138,801	135,208	97.41%	7,166	142,374	102.57%	17,945	12.93%
2016-17	142,219	133,405	93.80%	10,475	143,880	101.17%	18,482	13.00%
2017-18	144,012	135,998	94.44%	9,818	145,816	101.25%	22,842	15.86%

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Includes personal property tax relief paid by the Commonwealth of Virginia.

Table 6

**Town of Rich Creek, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Estate (1),(3)	Personal Property and Mobile Homes (1)	Machinery and Tools (1)	Public Utility (2) Real Estate	Total
2008-09	\$ 32,485,100	\$ 6,396,311	\$ 2,406,814	\$ 1,110,751	\$ 42,398,976
2009-10	36,526,400	5,565,500	2,298,652	1,414,010	45,804,562
2010-11	36,525,300	5,674,653	4,182,693	1,371,396	47,754,042
2011-12	35,860,500	6,089,690	4,002,095	1,357,510	47,309,795
2012-13	36,503,200	6,370,177	5,803,775	1,304,009	49,981,161
2013-14	36,696,200	6,365,416	5,836,475	1,214,420	50,112,511
2014-15	36,996,000	6,382,873	6,050,273	1,288,500	50,717,646
2015-16	40,024,200	6,583,024	5,923,871	1,300,849	53,831,944
2016-17	40,199,400	6,527,343	3,108,396	1,294,878	51,130,017
2017-18	40,199,400	6,527,343	3,108,396	1,294,878	51,130,017

(1) Assessments are at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Starting in fiscal year 2011-12, tax relief for veterans is included in the real estate assessed value.

Table 7

**Town of Rich Creek, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
2008-09	\$ 0.22	\$ 0.22	\$ 0.63	\$ 0.31
2009-10	0.20	0.20	0.63	0.31
2010-11	0.20	0.20	0.63	0.31
2011-12	0.20	0.20	0.63	0.31
2012-13	0.20	0.20	0.63	0.31
2013-14	0.20	0.20	0.63	0.31
2014-15	0.20	0.20	0.63	0.31
2015-16	0.20	0.20	0.63	0.31
2016-17	0.20	0.20	0.63	0.63
2017-18	0.20	0.20	0.63	0.63

(1) Per \$100 of assessed value.

Table 8

Town of Rich Creek, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	665	\$ 42,399	\$ 620,081	1.46%	\$ 932
2009-10	665	45,805	590,636	1.29%	888
2010-11	774	47,754	573,207	1.20%	741
2011-12	768	47,310	2,461,419	5.20%	3,205
2012-13	760	49,981	2,441,642	4.89%	3,213
2013-14	763	50,113	2,401,113	4.79%	3,147
2014-15	752	50,718	2,350,842	4.64%	3,126
2015-16	752	53,832	1,817,709	3.38%	2,417
2016-17	752	51,130	1,785,057	3.49%	2,374
2017-18	752	51,130	1,751,579	3.43%	2,329

(1) Weldon Cooper Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

Table 9

Town of Rich Creek, Virginia
Computation of Legal Debt Margin
June 30, 2018

Assessed valuations:	
Assessed value of real estate	<u>\$ 40,199,400</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	\$ 4,019,940
Total debt applicable to limitation	<u>(1,751,579)</u>
Legal debt margin	<u>\$ 2,268,361</u>

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COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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 Members of the Town Council
Town of Rich Creek, Virginia
Rich Creek, 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, each major fund, and the aggregate remaining fund information of the Town of Rich Creek, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Rich Creek, Virginia's basic financial statements and have issued our report thereon dated November 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Rich Creek, 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 Rich Creek, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Rich Creek, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses [2018-001 and 2018-002].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Rich Creek, 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*.

Town of Rich Creek, Virginia's Response to Findings

Town of Rich Creek, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Rich Creek, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Blacksburg, Virginia
November 19, 2018

**Town of Rich Creek, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2018-001

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments by the auditors to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The Town has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should work towards making all necessary entries and adjustments.
Management's Response:	The Town Treasurer will continue to work with the auditors to learn how to make the necessary entries to be able to provide an adjusted trial balance at the time of the audit.

2018-002

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town does not have a proper segregation of duties over the payroll, accounts payable and billing and collection functions.
Cause of Condition:	The Town lacks the funding to fully support a completely segregated finance department.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable and payroll functions lack proper segregation of duties; however, to alleviate same would require additional staff.

Section III - Status of Prior Audit Findings and Responses

Finding 2017-001 and Finding 2017-002 still exist in the current year as 2018-001 and 2018-002, respectively.

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