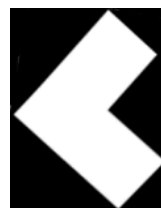


Town of Courtland, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2019



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

Town of Courtland, Virginia

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FINANCIAL SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Denise C. Williams, CPA, CSEP
Kimberly W. Jackson, CPA*

Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

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

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Courtland, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Courtland, Virginia, as of June 30, 2019, 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.

Prior-Period Audited Financial Statements

The financial statements for the year ended June 30, 2018, were audited by other accountants, and they have expressed an unmodified opinion, except for the omission of the general fund fixed assets and depreciation on them in their report dated January 8, 2019, but they have not performed any auditing procedures since that date.

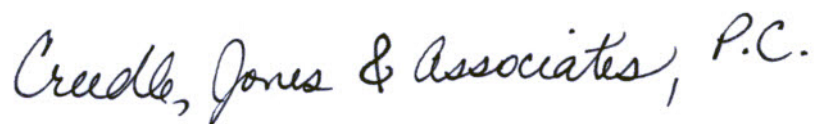
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-7, 61-64, and 65-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2020, on our consideration of the Town of Courtland, 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 Courtland, 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 Courtland, Virginia's internal control over financial reporting and compliance.



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

South Hill, Virginia
September 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$957,261. Of this amount, \$439,012 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$441,105 with an unrestricted balance of \$301,191.
- The Town's total net position increased by \$21,692 during the current fiscal year. Of this amount, an increase of \$19,318 is related to governmental activities and an increase of \$2,644 is attributed to business-type activities.
- As of June 30, 2019, the Town's Governmental Funds reported combined ending fund balances of \$307,233, a decrease of \$207,150 in comparison with the prior year.
- At the end of fiscal year 2019, the general fund unassigned fund balance was \$234,804, or approximately 59% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position :

Summary of Net Position

As of June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current and other assets	\$ 363,072	\$ 556,399	\$ 302,788	\$ 288,698	\$ 665,860	\$ 845,097
Capital assets (net)	518,249	298,383	139,914	154,064	658,163	452,447
Other assets	<u>203,106</u>	<u>162,556</u>	<u>-</u>	<u>-</u>	<u>203,106</u>	<u>162,556</u>
Total Assets	<u>1,084,427</u>	<u>1,017,338</u>	<u>442,702</u>	<u>442,762</u>	<u>1,527,129</u>	<u>1,460,100</u>
Deferred Outflows of Resources	<u>7,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,315</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,091,742</u>	<u>\$ 1,017,338</u>	<u>\$ 442,702</u>	<u>\$ 442,762</u>	<u>\$ 1,534,444</u>	<u>\$ 1,460,100</u>
Liabilities						
Other liabilities	\$ 19,742	\$ 7,590	\$ 1,597	\$ 4,301	\$ 21,339	\$ 11,891
Long-term liabilities	<u>78,501</u>	<u>71,805</u>	<u>-</u>	<u>-</u>	<u>78,501</u>	<u>71,805</u>
Total Liabilities	<u>98,243</u>	<u>79,395</u>	<u>1,597</u>	<u>4,301</u>	<u>99,840</u>	<u>83,696</u>
Deferred Inflows of Resources	<u>36,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,238</u>	<u>-</u>
Net Position						
Net investment in capital assets	518,249	298,383	139,914	154,064	658,163	452,447
Unrestricted	<u>439,012</u>	<u>639,560</u>	<u>301,191</u>	<u>284,397</u>	<u>740,203</u>	<u>923,957</u>
Total Net Position	<u>957,261</u>	<u>937,943</u>	<u>441,105</u>	<u>438,461</u>	<u>1,398,366</u>	<u>1,376,404</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,091,742</u>	<u>\$ 1,017,338</u>	<u>\$ 442,702</u>	<u>\$ 442,762</u>	<u>\$ 1,534,444</u>	<u>\$ 1,460,100</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for services	\$ 35,096	\$ 60,098	\$ 96,615	\$ 109,024	\$ 131,711	\$ 169,122
Operating grants and contributions	11,839	44,211	-	-	11,839	44,211
General Revenues						
General property taxes, real and personal	176,918	232,006	-	-	176,918	232,006
Other taxes	88,297	81,856	-	-	88,297	81,856
Grants and contributions not restricted to specific programs	74,797	-	-	-	74,797	-
Unrestricted revenues from use of money and property	12,343	2,011	1,103	533	13,446	2,544
Miscellaneous	1,557	16,361	-	-	1,557	16,361
Total Revenues	400,847	436,543	97,718	109,557	498,565	546,100
Expenses						
General government administration	112,860	87,397	-	-	112,860	87,397
Public safety	137,398	126,450	-	-	137,398	126,450
Public works	149,033	144,301	-	-	149,033	144,301
Parks, recreation, and cultural	12,238	9,068	-	-	12,238	9,068
Water and sewer	-	-	65,074	84,831	65,074	84,831
Capital outlay	-	1,750	-	-	-	1,750
Total Expenses	411,529	368,966	65,074	84,831	476,603	453,797
Increase (Decrease) in Net Position Before Transfers	(10,682)	67,577	32,644	24,726	21,962	92,303
Transfers	30,000	-	(30,000)	-	-	-
Increase in Net Position	19,318	67,577	2,644	24,726	21,962	92,303
Beginning Net Position	937,943	481,232	438,461	413,735	1,376,404	894,967
Restatement	-	389,134	-	-	-	389,134
Ending Net Position	<u>\$ 957,261</u>	<u>\$ 937,943</u>	<u>\$ 441,105</u>	<u>\$ 438,461</u>	<u>\$ 1,398,366</u>	<u>\$ 1,376,404</u>

Governmental activities increased the Town's net position by \$19,318 for fiscal year 2019. Revenues from governmental activities totaled \$400,847. General property taxes, real and personal comprise the largest source of these revenues, totaling \$176,918 or 44.1% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$411,529. Public works was the Town's largest program with expenses totaling \$149,033 or 36.2% of all governmental activities expenses.

Business-type activities increased the Town's net position by \$2,644. Revenues from business-type activities totaled \$97,718 for the fiscal year ended June 30, 2019, compared to \$109,557 in the prior fiscal year. Expenses for the business-type activities totaled \$65,074 for the fiscal year ended June 30, 2019, compared to \$84,831 in the prior fiscal year.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>		<u>2018</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 112,860	\$ (112,860)	\$ 87,397	\$ (70,241)
Public safety	137,398	(106,663)	126,450	(55,263)
Public works	149,033	(132,833)	144,301	(128,335)
Parks, recreation, and cultural	12,238	(12,238)	9,068	(9,068)
Capital outlay	<u>-</u>	<u>-</u>	<u>1,750</u>	<u>(1,750)</u>
Total	<u>\$ 411,529</u>	<u>\$ (364,594)</u>	<u>\$ 368,966</u>	<u>\$ (264,657)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$307,233. The combined governmental fund balance decreased \$207,150 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$234,804. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 59% of total fund expenditures, while total fund balance represents 59% of that same amount.

- The Water Fund contributed \$30,000 in operating funds to finance the General Fund's operations.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 163,086	\$ 163,086	\$ 175,247	\$ 200,000	\$ 200,000	\$ 232,006
Fines and forfeitures	100	100	18,896	100	100	26,976
Other	66,750	66,750	100,163	91,750	91,750	133,350
Intergovernmental	<u>88,099</u>	<u>88,099</u>	<u>86,636</u>	<u>43,731</u>	<u>43,731</u>	<u>44,211</u>
Total Revenues	318,035	318,035	380,942	335,581	335,581	436,543
Expenditures	<u>363,335</u>	<u>363,335</u>	<u>397,862</u>	<u>390,580</u>	<u>390,580</u>	<u>398,966</u>
Excess (Deficiency) of Revenues Over Expenditures	(45,300)	(45,300)	(16,920)	(54,999)	(54,999)	37,577
Other Financing Sources (Uses)						
Transfers in	<u>45,300</u>	<u>45,300</u>	<u>25,230</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Total	<u>45,300</u>	<u>45,300</u>	<u>25,230</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,310</u>	<u>\$ (24,999)</u>	<u>\$ (24,999)</u>	<u>\$ 67,577</u>

There were no budget amendments during the year.

Actual revenues were more than budget amounts by \$62,907, or 19.8%, while actual expenditures were \$34,527, or 9.5% more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2019, the Town's governmental activities net capital assets total \$518,249, which represents a net increase of \$219,866 or 73.7% over the previous fiscal year-end balance. The business-type activities net capital assets total \$139,914, a decrease of \$14,150 or 9.2% over the previous fiscal year, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land and land improvements	\$ 244,600	\$ -	\$ 244,600
Buildings and improvements	68,900	-	68,900
Vehicles and equipment	162,438	232,999	395,437
Total Capital Assets	475,938	232,999	708,937
Less: Accumulated depreciation and amortization	(177,555)	(13,133)	(190,688)
Total Capital Assets, Net	<u>\$ 298,383</u>	<u>\$ 219,866</u>	<u>\$ 518,249</u>

Business-Type Activities

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Property and equipment	\$ 473,466	\$ -	\$ 473,466
Total Capital Assets	473,466	-	473,466
Less: Accumulated depreciation and amortization	(319,402)	(14,150)	(333,552)
Total Capital Assets, Net	<u>\$ 154,064</u>	<u>\$ (14,150)</u>	<u>\$ 139,914</u>

Long-Term Debt

As of June 30, 2019, the Town's long-term obligations total \$35,501.

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Governmental Activities			
Compensated absences	\$ 34,805	\$ 696	\$ 35,501
Total Governmental Activities	<u>\$ 34,805</u>	<u>\$ 696</u>	<u>\$ 35,501</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Courtland, Virginia in June 2019, which uses Southampton County, Virginia's rate, was 2.6%. This compares favorably to the state's rate of 2.9% and the national rate of 3.8%.
- According to the 2010 U.S. Census, the population in the Town of Courtland, Virginia was 1,284.
- The per capita income in the Town of Courtland, Virginia was \$18,474, compared to \$27,705 for the state, according to the 2010 U.S. Census data.
- The Town's adopted fiscal year 2020 budgeted revenues for the general fund are \$354,054.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Debra J. Lambert, Clerk, Town of Courtland, Virginia, P.O. Box 39, 22219 Meherrin Road, Courtland, Virginia 23837, telephone 757-653-2222.

BASIC FINANCIAL STATEMENTS

Town of Courtland, Virginia

Statement of Net Position

At June 30, 2019

Primary Government

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 325,511	\$ 294,049	\$ 619,560
Receivables	37,561	8,739	46,300
Capital Assets			
Land	-	-	-
Other capital assets, net of accumulated depreciation	518,249	139,914	658,163
Capital Assets, Net	518,249	139,914	658,163
Other Assets			
Net pension asset	203,106	-	203,106
Total Assets	1,084,427	442,702	1,527,129
Deferred Outflows of Resources			
Deferred outflows - VRS pension	370	-	370
Deferred outflows - OPEB - VRS GLI	533	-	533
Deferred outflows - OPEB - VRS LODA	6,412	-	6,412
Total Deferred Outflows of Resources	7,315	-	7,315
Total Assets and Deferred Outflows of Resources	<u>\$ 1,091,742</u>	<u>\$ 442,702</u>	<u>\$ 1,534,444</u>
Liabilities			
Accounts payable and accrued expenses	\$ 19,742	\$ 1,597	\$ 21,339
Long-Term Liabilities			
OPEB liability - VRS GLI and LODA	43,000	-	43,000
<i>Due within one year</i>			-
Compensated absences	3,550	-	3,550
<i>Due in more than one year</i>			
Compensated absences	31,951	-	31,951
Total Liabilities	98,243	1,597	99,840
Deferred Inflows of Resources			
Deferred inflows - VRS pension	31,238	-	31,238
Deferred inflows - OPEB VRS GLI and LODA	5,000	-	5,000
Total Deferred Inflows of Resources	36,238	-	36,238
Net Position			
Net investment in capital assets	518,249	139,914	658,163
Unrestricted	439,012	301,191	740,203
Total Net Position	957,261	441,105	1,398,366
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,091,742</u>	<u>\$ 442,702</u>	<u>\$ 1,534,444</u>

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

Town of Courtland, Virginia

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government						
Governmental Activities						
General government administration	\$ 112,860	\$ -	\$ -	\$ (112,860)		\$ (112,860)
Public safety	137,398	18,896	11,839	(106,663)		(106,663)
Public works	149,033	16,200	-	(132,833)		(132,833)
Parks, recreation, and cultural	12,238	-	-	(12,238)		(12,238)
Total Governmental Activities	411,529	35,096	11,839	(364,594)		(364,594)
Business-Type Activities						
Water Fund	65,074	96,615	-		\$ 31,541	31,541
Total Business-Type Activities	65,074	96,615	-		31,541	31,541
Total Primary Government	\$ 476,603	\$ 131,711	\$ 11,839		31,541	(333,053)
General Revenues						
Taxes						
General property taxes, real and personal				176,918	-	176,918
Other local taxes				88,297	-	88,297
Grants and contributions not restricted to specific programs				74,797	-	74,797
Unrestricted revenues from use of money and property				12,343	1,103	13,446
Miscellaneous				1,557	-	1,557
Transfers				30,000	(30,000)	-
Total General Revenues and Transfers				383,912	(28,897)	355,015
Change in Net Position				19,318	2,644	21,962
Net Position - Beginning of Year (Restated)				937,943	438,461	1,376,404
Net Position - End of Year				\$ 957,261	\$ 441,105	\$ 1,398,366

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

Town of Courtland, Virginia

Balance Sheet

Governmental Funds

At June 30, 2019

	General Fund	Special Revenue Trash Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 254,546	\$ 70,965	\$ 325,511
Property taxes receivable	36,097	-	36,097
Accounts receivable	-	1,464	1,464
Total Assets	<u>\$ 290,643</u>	<u>\$ 72,429</u>	<u>\$ 363,072</u>
Liabilities			
Accounts payable	\$ 12,281	\$ -	\$ 12,281
Accrued liabilities	7,461	-	7,461
Total Liabilities	19,742	-	19,742
Deferred Inflows of Resources			
Unavailable revenue - property taxes	36,097	-	36,097
Total Deferred Inflows of Resources	36,097	-	36,097
Fund Balance			
Assigned	-	72,429	72,429
Unassigned	234,804	-	234,804
Total Fund Balance	<u>234,804</u>	<u>72,429</u>	<u>307,233</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 290,643</u>	<u>\$ 72,429</u>	<u>\$ 363,072</u>

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

Town of Courtland, Virginia

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

At June 30, 2019

Total Fund Balances for Governmental Funds	\$ 307,233
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 244,600
Buildings and improvements, net of accumulated depreciation	1,422
Vehicles and equipment, net of accumulated depreciation	<u>272,227</u>

Total Capital Assets	518,249
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Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue, taxes	36,097
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Deferred outflows and inflows of resources related to pensions and OPEB liabilities applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	370
Deferred outflows of resources related to OPEB	6,945
Deferred inflows of resources related to pensions	(31,238)
Deferred inflows of resources related to OPEB liability	<u>(5,000)</u>

Total Deferred Outflows and Inflows of Resources	(28,923)
--	----------

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

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

OPEB liability VRS	(43,000)
Compensated absences	(35,501)
VRS pension asset	<u>203,106</u>

Total	<u>124,605</u>
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Total Net Position of Governmental Activities	<u>\$ 957,261</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

	General Fund	Special Revenue Trash Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 175,247	\$ -	\$ 175,247
Other local taxes	88,297	-	88,297
Fines and forfeitures	18,896	-	18,896
Use of money and property	10,241	2,102	12,343
Charges for services	68	16,132	16,200
Miscellaneous	1,557	-	1,557
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	84,797	-	84,797
Revenue from the Federal Government	<u>1,839</u>	<u>-</u>	<u>1,839</u>
Total Revenues	380,942	18,234	399,176
Expenditures			
Current			
General government administration	114,175	-	114,175
Public safety	127,997	-	127,997
Public works	143,787	238,464	382,251
Parks, recreation, and cultural	<u>11,903</u>	<u>-</u>	<u>11,903</u>
Total Expenditures	<u>397,862</u>	<u>238,464</u>	<u>636,326</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,920)	(220,230)	(237,150)
Other Financing Sources (Uses)			
Transfers from other funds	30,000	-	30,000
Transfers (to) other funds	<u>(4,770)</u>	<u>4,770</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>25,230</u>	<u>4,770</u>	<u>30,000</u>
Net Change in Fund Balance	8,310	(215,460)	(207,150)
Fund Balance - Beginning of Year (Restated)	<u>226,494</u>	<u>287,889</u>	<u>514,383</u>
Fund Balance - End of Year	<u>\$ 234,804</u>	<u>\$ 72,429</u>	<u>\$ 307,233</u>

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

Town of Courtland, Virginia

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

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (207,150)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalized assets	\$ 232,999	
Depreciation	<u>(13,133)</u>	219,866

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statement but recognized in the Statement of Activities.

1,671

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

Change in VRS net pension and related deferred inflows/outflows	9,682	
Change in compensated absences	(696)	
Change in OPEB liability and related deferred inflows/outflows	<u>(4,055)</u>	<u>4,931</u>

Change in Net Position of Governmental Activities \$ 19,318

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

Town of Courtland, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2019

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

Assets**Current Assets**

Checking accounts	\$ 294,049
Accounts receivable	<u>8,739</u>

Total Current Assets 302,788

Capital Assets, net

139,914

Total Assets \$ 442,702

Liabilities**Current Liabilities**

Accounts payable	\$ <u>1,597</u>
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Total Liabilities 1,597

Net Position

Net investment in capital assets	139,914
Unrestricted	<u>301,191</u>

Total Net Position 441,105

Total Liabilities and Net Position \$ 442,702

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

Town of Courtland, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2019

	Business-Type Activities - Enterprise Fund Water Fund
Operating Revenues	
Charges for services	\$ 96,615
Total Operating Revenues	96,615
Operating Expenses	
Repairs and maintenance	20,814
Water labor	1,200
Electricity	9,680
Materials and supplies	10,556
Telephone	268
Other miscellaneous	1,045
Licenses and permits	4,985
Water tech samples	2,376
Depreciation	14,150
Total Operating Expenses	65,074
Operating Income	31,541
Nonoperating Revenues (Expenses)	
Interest income	1,103
Total Nonoperating Revenues (Expenses)	1,103
Income Before Operating Transfers	32,644
Operating Transfers Out	(30,000)
Change in Net Position	2,644
Total Net Position - Beginning of Year	438,461
Total Net Position - End of Year	\$ 441,105

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

Town of Courtland, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2019

	Business-Type Activities - Enterprise Fund Water Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 96,053
Payments for labor	(1,200)
Payments to suppliers	<u>(52,428)</u>
Net Cash Provided by Operating Activities	42,425
Cash Flows from Noncapital Financing Activities	
Payments made as interfund transfers	<u>(30,000)</u>
Net Cash Used in Noncapital Financing Activities	<u>(30,000)</u>
Cash Flows from Investing Activities	
Interest income	<u>1,103</u>
Net Cash Provided by Investing Activities	<u>1,103</u>
Net Increase in Cash and Cash Equivalents	13,528
Cash - Beginning of Year	<u>280,521</u>
Cash - End of Year	<u><u>\$ 294,049</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 31,541
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation expense	14,150
<i>Changes in assets and liabilities</i>	
Receivables, net	(562)
Accounts payable and accrued expenses	<u>(2,704)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 42,425</u></u>

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

Town of Courtland, Virginia

Notes to the Financial Statements

Year Ended June 30, 2019

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Courtland, Virginia (the "Town") is a political subdivision of the Commonwealth of Virginia operating under the Mayor-Council form of government. The elected Mayor and a six-member Town Council are vested with legislative powers, and form the executive and administrative head of the Town's government.

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

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

1-A. Financial Reporting Entity

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

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

- *Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - § Trash Fund – This fund accounts for Town revenues collected and disbursed for Town garbage services provided to its citizens.
 - *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Town has no CDBG funds at this time.

- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- *Fiduciary Funds (Agency Funds)* – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no fiduciary funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which the general and water funds utilize. All other funds have separate bank accounts and investments. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

1-E-2 Investments

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

State statutes which, in general, allow the Town to invest in obligations of the United States or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), or in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service.

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2019, the allowance attributed to property taxes amounted to \$36,097.

General Fund - Taxes Receivable	\$ 48,542
Less: Allowance for Uncollectible	<u>(12,445)</u>
General Fund Taxes Receivable, Net	<u>\$ 36,097</u>

Real and Personal Property Tax Data

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

Real Property Personal Property

Due Date	April 1	March 1
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The Town bills and collects its own property taxes.

A ten percent penalty is levied on all taxes not collected on or before March 16 for personal property and May 1 for real estate.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of water distribution system. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and structures	40 years
Vehicles and equipment	10 to 20 years

1-E-6 Deferred Outflows/Inflows of Resources

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

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

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 Compensated Absences

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

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

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS).

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-9 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are

established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-11 Fund Equity

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

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

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

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

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

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

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

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

1-E-12 Operating Revenues and Expenses

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

1-E-13 Interfund Activity

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

1-E-14 Long-Term Obligations

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

1-E-15 Estimates

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

1-E-16 Adoption of New GASB Statements

The Town adopted GASB 68 and GASB 75 due to its VRS pension and OPEB participation. These GASBs have been in effect, however never implemented in prior year financial statements. A restatement of net position has been made. Due to COVID-19, all other new GASBs have been postponed for implementation.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. In April of every year, the Budget Committee meets to discuss and produce the upcoming budget, and submits to the Town Council a proposed operating budget for the fiscal year commencing July 1.
2. The proposed budget is advertised per the Code of Virginia and a public hearing is conducted to obtain citizen comments.
3. The proposed budget is adopted as prescribed in §15.2-2503 of the Code of Virginia.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations by \$34,527 for the General Fund and \$235,264 in the Trash Fund.

Fund Deficits

There were no fund deficits as of June 30, 2019.

3 Deposits and Investments

Deposits

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

Investments

Town policy for eligible investments are governed by State statutes which, in general, allow the Town to invest in obligations of the United States or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), or in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it is earned.

The Town does not have a formal investment policy.

In addition, the Town also holds common stock in Anthem, Inc. This stock comprises 11.51% of the Town's total cash and investments.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have custodial credit risk policies for investments.

Interest Rate Risk

This is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Town's debt type investments to this risk, using the segmented time distribution model is as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
		<u>1 Year</u>			
Anthem stock	\$ 71,296	\$ 71,296	\$ -	\$ -	\$ -

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. Presented below is the minimum rating required for each type debt investment.

<u>Average Rating</u>	<u>Anthem Stock</u>
AA+ or higher	\$ 71,296

The following is a summary of cash and investments :

<u>Asset Type</u>	<u>Balance</u> <u>June 30, 2019</u>
Petty cash	\$ 100
Deposit accounts	548,164
Investments	
Anthem stock	71,296
Total Cash and Investments	\$ 619,560

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2019:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government			
Cash and investments	\$ 325,511	\$ 294,049	\$ 619,560
Total	\$ 325,511	\$ 294,049	\$ 619,560

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level				
Anthem stock	\$ 71,296	\$ -	\$ -	\$ 71,296
	<u>\$ 71,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,296</u>

4 **Receivables**

Receivables at June 30, 2019 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
		<u>Water Fund</u>	
Property taxes	\$ 36,097	\$ -	\$ 36,097
Garbage	1,464	-	1,464
Water	-	8,739	8,739
	<u>-</u>	<u>8,739</u>	<u>8,739</u>
Total Receivables	<u>\$ 37,561</u>	<u>\$ 8,739</u>	<u>\$ 46,300</u>

5 **Interfund Transfers**

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
From Water Fund for operating costs	\$ -	\$ 30,000
To Trash Fund for operating costs	4,770	-
Trash Fund		
From General Fund for operating costs	-	4,770
Water Fund		
To General Fund for operating costs	<u>30,000</u>	<u>-</u>
Total Transfers	<u>\$ 34,770</u>	<u>\$ 34,770</u>

6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 244,600	\$ -	\$ -	\$ 244,600
Total Capital Assets Not Being Depreciated	244,600	-	-	244,600
Other Capital Assets				
Buildings and improvements	68,900	-	-	68,900
Vehicles and equipment	162,438	232,999	-	395,437
Total Other Capital Assets	231,338	232,999	-	464,337
Less: Accumulated depreciation for				
Buildings and improvements	66,055	1,423	-	67,478
Vehicles and equipment	111,500	11,710	-	123,210
Total Accumulated Depreciation	177,555	13,133	-	190,688
Other Capital Assets, Net	53,783	219,866	-	273,649
Net Capital Assets	\$ 298,383	\$ 219,866	\$ -	\$ 518,249

Depreciation expense was allocated as follows:

Public safety	\$ 10,016
Public works	2,782
Parks, recreation, and culture	335
	<u>\$ 13,133</u>

Business-Type Activities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
Other Capital Assets				
Property and equipment	473,466	-	-	473,466
Total Other Capital Assets	473,466	-	-	473,466
Less: Accumulated depreciation for				
Property and equipment	319,402	14,150	-	333,552
Total Accumulated Depreciation	319,402	14,150	-	333,552
Other Capital Assets, Net	154,064	(14,150)	-	139,914
Net Capital Assets	\$ 154,064	\$ (14,150)	\$ -	\$ 139,914

7 Compensated Absences

Full-time Town employees earn annual leave at a rate of two weeks per year, which may not be carried over to succeeding years and may be paid if not used prior to termination. Full-time Town employees earn sick leave at the rate of 1 ¼ days per month, which may be accumulated and carried over up to 90 days maximum to succeeding years. Employees who leave employment shall be paid their sick leave balance based on their final rate of pay. Accumulated unpaid sick pay benefits are not accrued when incurred. At June 30, 2019, recorded fund liabilities totaled \$35,501.

8 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30, 2019	Governmental Activities	
	Principal	Interest
Compensated absences	\$ 35,501	\$ -
	<u>\$ 35,501</u>	<u>\$ -</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town for the year ended June 30, 2019:

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019	Due Within One Year
Primary Government					
Governmental Activities					
Compensated absences	\$ 34,805	\$ 696	\$ -	\$ 35,501	\$ 3,550
Total Governmental Activities	<u>34,805</u>	<u>696</u>	<u>-</u>	<u>35,501</u>	<u>3,550</u>
Total Primary Government	<u>\$ 34,805</u>	<u>\$ 696</u>	<u>\$ -</u>	<u>\$ 35,501</u>	<u>\$ 3,550</u>

9 Net Investment in Capital Assets

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

	Governmental Activities	Business- Type Activities	Total Primary Government
Net Investment in Capital Assets			
Cost of capital assets	\$ 708,937	\$ 473,466	\$ 1,182,403
Less: Accumulated depreciation	<u>(190,688)</u>	<u>(333,552)</u>	<u>(524,240)</u>
Book value	518,249	139,914	658,163
Less: Capital related debt	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 518,249</u>	<u>\$ 139,914</u>	<u>\$ 658,163</u>

10 Deferred Inflows of Resources

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

	Primary Government - General Fund
Delinquent taxes not collected within 60 days	<u>\$ 36,097</u>

11 Risk Management

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

Surety bond coverage is as follows:

Western Surety Company

Clerk - Debra J. Lambert

\$ 10,000

12 Commitments and Contingencies

In March 2006, the Town signed a consent order with the Virginia Department of Drinking Water to correct the high level of fluoride in the Town's water. For the year ended June 30, 2019, no expense was recorded as fluoride mitigation expense in the financial statements. The need to dig two production wells seems to have been mitigated.

\$235,588 has been paid toward this project to date and is shown as property and equipment in these financial statements. These expenses consist of engineering costs and the construction of a test and observation well that is needed for the production wells along with pump upgrades. No related costs were expended in the past three years.

On August 26, 2020, the Town signed a Draft Groundwater Withdrawal Permit with the Commonwealth of Virginia Department of Environmental Quality. The permit extends the first status update through June 30, 2026 to resolve the water situation.

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

13 Litigation

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

14 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 65,230,900</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 6,523,090
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>-</u>
Legal Debt Margin - June 30, 2019	<u>\$ 6,523,090</u>

Note: Includes all long-term general obligation bonded debt.

15 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

<p>PLAN 1 <i>Retirement Contributions</i></p>	<p>PLAN 2 <i>Retirement Contributions</i></p>	<p>HYBRID RETIREMENT PLAN <i>Retirement Contributions</i></p>
<p>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>Same as Plan 1.</p>	<p>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>
<p><i>Creditable Service</i></p> <p>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>Same as Plan 1.</p>	<p><i>Creditable Service</i></p> <p>Defined Benefit Component:</p> <p>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><i>Vesting</i></p> <p>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>Same as Plan 1.</p>	<p><i>Vesting</i></p> <p>Defined Benefit Component:</p> <p>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>Members are always 100% vested in the contributions that they make.</p>		<p>Defined Contributions Component:</p> <p>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>

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

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

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1*Normal Retirement Age*

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2*Normal Retirement Age*

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN***Normal Retirement Age***Defined Benefit Component:**

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

*Earliest Unreduced Retirement Eligibility***Defined Benefit Component:**

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

*Earliest Reduced Retirement Eligibility***Defined Benefit Component:**

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

*Cost-of-Living Adjustment (COLA) in Retirement***Defined Benefit Component:**

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
LTD	0
Inactive members active elsewhere in VRS	1
Total inactive members	1
Active members	2
Total covered employees	<u>5</u>

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was .12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$123 and \$4,116 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		<u>Increase (Decrease)</u>	
	<u>Total</u> <u>Pension</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net</u> <u>Pension</u> <u>Liability</u> <u>(a) - (b)</u>
Balances at June 30, 2017	\$ 464,168	\$ 626,724	\$ (162,556)
Changes for the Year			
Service cost	19,926	-	19,926
Interest	31,961	-	31,961
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(37,324)	-	(37,324)
Contributions - employer	-	4,183	(4,183)
Contributions - employee	-	5,027	(5,027)
Net investment income	-	46,341	(46,341)
Benefit payments, including refunds	(15,172)	(15,172)	-
Administrative expenses	-	(397)	397
Other changes	-	(41)	41
Net Changes	(609)	39,941	(40,550)
Balances at June 30, 2018	<u>\$ 463,559</u>	<u>\$ 666,665</u>	<u>\$ (203,106)</u>

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

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

	<u>1.00% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1.00% Increase</u> <u>(8.00%)</u>
Political subdivision's			
Net Pension Liability \$	(150,834) \$	(203,106) \$	(247,710) \$

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$(27,728). At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 247	\$ 22,571
Change in assumptions	-	2,241
Net difference between projected and actual earnings on pension plan investments	-	6,426
Employer contributions subsequent to the measurement date	<u>123</u>	<u>-</u>
Total	<u>\$ 370</u>	<u>\$ 31,238</u>

\$123 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended
June 30,**

2020	\$(15,280)
2021	(8,719)
2022	(6,454)
2023	(538)
2024	-
Thereafter	-

Pension Plan Data

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

16 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$533 and \$523 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entities reported a liability of \$9,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00053% as compared to .00060% at June 30, 2017.

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

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

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	-
Change in assumptions	-	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>533</u>	<u>-</u>
Total	<u>\$ 533</u>	<u>\$ 1,000</u>

\$533 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

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

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

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Employer's Proportionate Share of the Group Life Insurance Program			
Net OPEB Liability	\$ 11,000	\$ 9,000	\$ 6,000

Group Life Insurance Program Fiduciary Net Position

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

17 Other-Postemployment Benefits – Line of Duty Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS

Eligible Employees

The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit Amounts

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
 - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
 - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$1,412 and \$1,135 for the years ended June 30, 2019 and June 30, 2018, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2019, the entity reported a liability of \$34,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date.

The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion .01052% as compared to .01066% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$3,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,000	\$ -
Net difference between projected and actual earnings on LODA OPEB program investment	-	-
Change in assumptions	-	4,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>1,412</u>	<u>-</u>
Total	<u>\$ 6,412</u>	<u>\$ 4,000</u>

\$1,412 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

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

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
Locality employees	3.5 percent - 4.75 percent
Medical cost trend rates assumption -	
Under age 65	7.75 percent - 5.00 percent
Ages 65 and older	5.75 percent - 5.00 percent
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89 percent, net of OPEB plan Investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

**Line of
Duty Act
Program**

Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	<u>1,889</u>
Employer's Net OPEB Liability (Asset)	<u>\$ 313,506</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	1.00% Decrease (2.89%)	Current Discount Rate (3.89%)	1.00% Increase (4.89%)
Covered Employer's Proportionate Share of the Total LODA Net OPEB Liability	\$ 38,000	\$ 34,000	\$ 30,000

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1.00% Decrease (6.75% decreasing to <u>4.00%</u>)	Health Care Trend Rates (7.75% decreasing to <u>5.00%</u>)	1.00% Increase (8.75% decreasing to <u>6.00%</u>)
Covered Employer's Proportionate Share of the Total LODA Net OPEB Liability	\$ 29,000	\$ 34,000	\$ 40,000

LODA OPEB Plan Fiduciary Net Position

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

18 Fund Balances – Governmental Funds

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

<u>Fund</u>	<u>Assigned</u>	<u>Amount</u>
Trash	Subsequent years' appropriations	<u>\$ 72,429</u>

19 Restatements

Net position has been restated due to the following:

Restatements:

Governmental Activities

Net Position - Beginning of Year	
As Previously Reported June 30, 2018	\$ 548,809
Addition of net capital assets not on books	298,383
Adjustment for compensated absences	(34,805)
VRS net pension adjustment	162,556
VRS OPEB group life insurance adjustment	(9,000)
VRS OPEB LODA adjustment	<u>(28,000)</u>
Net Position - Beginning of Year	
Restated July 1, 2018	<u>\$ 937,943</u>

The General Fund was restated due to the following:

General Fund

Net Position - Beginning of Year	
As Previously Reported June 30, 2018	\$ 221,738
Anthem Stock adjustment	29,468
Deferred Inflows - Taxes	<u>(24,712)</u>
Net Position - Beginning of Year	
Restated July 1, 2018	<u>\$ 226,494</u>

20 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through September 20, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Courtland, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Fund				
Revenues				
General Property Taxes				
Real estate taxes	\$ 110,000	\$ 110,000	\$ 119,478	\$ 9,478
Personal property taxes	37,086	37,086	35,738	(1,348)
Delinquent taxes	13,000	13,000	14,586	1,586
Interest and penalties	<u>3,000</u>	<u>3,000</u>	<u>5,445</u>	<u>2,445</u>
Total General Property Taxes	163,086	163,086	175,247	12,161
Other Local Taxes				
Local sales and use taxes	18,000	18,000	26,575	8,575
Motor vehicle licenses	14,000	14,000	16,255	2,255
Bank franchise tax	21,550	21,550	33,192	11,642
Consumption taxes	3,300	3,300	3,623	323
Business license taxes	<u>7,800</u>	<u>7,800</u>	<u>8,652</u>	<u>852</u>
Total Other Local Taxes	64,650	64,650	88,297	23,647
Revenue from Use of Money and Property				
Cemetery lot sales	1,000	1,000	-	(1,000)
Unrealized gains on investments	-	-	10,070	10,070
Interest income	<u>1,100</u>	<u>1,100</u>	<u>171</u>	<u>(929)</u>
Total Revenue from Use of Money and Property	2,100	2,100	10,241	8,141
Charges for Services				
Convenience fees	-	-	68	68
Total Charges for Services - Garbage Fees	-	-	68	68
Fines and Forfeitures				
	100	100	18,896	18,796
Miscellaneous				
Miscellaneous and other refunds	-	-	1,557	1,557
Total Miscellaneous	-	-	1,557	1,557

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Intergovernmental

Revenue from the Commonwealth of Virginia

Noncategorical Aid

Communications tax	5,700	5,700	5,111	(589)
Rolling stock tax	800	800	850	50
Car rental tax	-	-	242	242
Law enforcement grant	30,550	30,550	31,680	1,130
Personal Property Tax Relief Act (PPTRA)	36,914	36,914	36,914	-
Subtotal - Noncategorical Aid	73,964	73,964	74,797	833

Categorical Aid

Fire program	10,000	10,000	10,000	-
Total Revenue from the Commonwealth of Virginia	83,964	83,964	84,797	833

Revenue from the Federal Government

DMV grant	4,135	4,135	1,839	(2,296)
Total Intergovernmental Revenue	88,099	88,099	86,636	(1,463)

Total Revenues	318,035	318,035	380,942	62,907
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Expenditures

Current

General Government Administration

Salaries and wages - administration	41,359	41,359	45,437	(4,078)
Insurance - liability and bonds	25,254	25,254	30,072	(4,818)
Group health and life insurance	3,808	3,808	3,806	2
Payroll taxes	2,878	2,878	3,396	(518)
Contingency	26,067	26,067	8,999	17,068
Town council and manager	7,600	7,600	7,550	50
Dues	2,800	2,800	3,482	(682)
Office supplies and postage	3,500	3,500	3,665	(165)
Telephone	3,730	3,730	2,307	1,423
VRS retirement	33	33	100	(67)
Accounting and legal	7,100	7,100	880	6,220
Equipment	-	-	667	(667)
Miscellaneous	-	-	2,985	(2,985)
Vendor fees/merchant payments, and bank charges	25	25	475	(450)
Advertising	500	500	248	252
Travel	250	250	106	144
Total General Government Administration	124,904	124,904	114,175	10,729

Public Safety

Police Department

Salaries	61,200	61,200	94,942	(33,742)
Allocated fringe benefits	13,621	13,621	15,108	(1,487)
Police department expenses	11,935	11,935	7,947	3,988
Total Police Department	86,756	86,756	117,997	(31,241)

Fire Department Expenses

Other fire department expenses	10,000	10,000	10,000	-
Total Fire Department	10,000	10,000	10,000	-
Total Public Safety	96,756	96,756	127,997	(31,241)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Works</i>				
Salaries and wages	58,042	58,042	64,009	(5,967)
Allocated fringe benefits	9,183	9,183	10,186	(1,003)
Electricity and street lights	24,000	24,000	24,527	(527)
Gasoline and oil	8,400	8,400	12,939	(4,539)
Mosquito expense	12,000	12,000	17,255	(5,255)
Materials and supplies	5,500	5,500	6,893	(1,393)
Trucks and mowers	3,800	3,800	2,967	833
Repairs and maintenance	2,550	2,550	1,620	930
Miscellaneous	-	-	1,280	(1,280)
Mowing	1,300	1,300	1,167	133
Permits and licenses	400	400	503	(103)
Sewer	500	500	441	59
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Public Works	126,675	126,675	143,787	(17,112)
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	6,000	6,000	2,903	3,097
Donations	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Total Parks, Recreation, and Cultural	<u>15,000</u>	<u>15,000</u>	<u>11,903</u>	<u>3,097</u>
Total Expenditures	<u>363,335</u>	<u>363,335</u>	<u>397,862</u>	<u>(34,527)</u>
Excess (Deficiency) of Revenues Over Expenditures	(45,300)	(45,300)	(16,920)	28,380
Other Financing Sources (Uses)				
Transfers from other funds	45,300	45,300	30,000	(15,300)
Transfers (to) other funds	<u>-</u>	<u>-</u>	<u>(4,770)</u>	<u>(4,770)</u>
Total Other Financing Sources (Uses)	<u>45,300</u>	<u>45,300</u>	<u>25,230</u>	<u>(20,070)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	8,310	<u>\$ 8,310</u>
Fund Balance - Beginning of Year (Restated)			<u>226,494</u>	
Fund Balance - End of Year			<u>\$ 234,804</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Trash Fund				
Revenues				
Revenue from Use of Money and Property				
Interest income	\$ 2,500	\$ 2,500	\$ 2,102	\$ (398)
Total Revenue from Use of Money and Property	2,500	2,500	2,102	(398)
Charges for Services				
Trash collection fees	<u>16,000</u>	<u>16,000</u>	<u>16,132</u>	<u>132</u>
Total Charges for Services - Trash collection fees	<u>16,000</u>	<u>16,000</u>	<u>16,132</u>	<u>132</u>
Total Revenues	18,500	18,500	18,234	(266)
Expenditures				
Current				
<i>Public Works - Trash Collection</i>				
Gas and oil	1,600	1,600	1,813	(213)
Repairs and maintenance	600	600	3,652	(3,052)
Capital outlay - 2019 trash truck	-	-	207,339	(207,339)
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>25,660</u>	<u>(24,660)</u>
Total Expenditures	3,200	3,200	238,464	(235,264)
Excess (Deficiency) of Revenues Over Expenditures	15,300	15,300	(220,230)	(235,530)
Other Financing Sources (Uses)				
Transfers from other funds	<u>(15,300)</u>	<u>(15,300)</u>	<u>4,770</u>	<u>20,070</u>
Total Other Financing Sources (Uses)	<u>(15,300)</u>	<u>(15,300)</u>	<u>4,770</u>	<u>20,070</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(215,460)	<u>\$ (215,460)</u>
Fund Balance - Beginning of Year			<u>287,889</u>	
Fund Balance - End of Year			<u>\$ 72,429</u>	

Town of Courtland, Virginia

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

For the Plan Years Ended June 30, 2014-2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 19,926	\$ -	\$ -	\$ -	\$ -
Interest	31,961	-	-	-	-
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(37,324)	-	-	-	-
Changes in assumptions	-	-	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(15,172)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	(609)	-	-	-	-
Total pension liability - beginning	<u>464,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total pension liability - ending (a)	<u>\$ 463,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Plan fiduciary net position					
Contributions - employer	\$ 4,183	\$ -	\$ -	\$ -	\$ -
Contributions - employee	5,027	-	-	-	-
Net investment income	46,341	-	-	-	-
Benefit Payments, including refunds of employee contributions	(15,172)	-	-	-	-
Administrative expense	(397)	-	-	-	-
Other	<u>(41)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	39,941	-	-	-	-
Plan fiduciary net position - beginning	<u>626,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 666,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ (203,106)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Plan fiduciary net position as a percentage of the total pension liability	-43.81%	0.00%	0.00%	0.00%	0.00%
 Covered payroll	\$ 102,559	n/a	n/a	n/a	n/a
 Political subdivision's net pension liability as a percentage of covered payroll	-198.04%	0.00%	0.00%	0.00%	0.00%

Town of Courtland, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through 2019

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2019	\$ 123	\$ 123	\$ -	\$ 102,559		0.12%
2018	n/a	n/a	n/a	n/a		n/a
2017	n/a	n/a	n/a	n/a		n/a
2016	n/a	n/a	n/a	n/a		n/a
2015	n/a	n/a	n/a	n/a		n/a
2014	n/a	n/a	n/a	n/a		n/a
2013	n/a	n/a	n/a	n/a		n/a
2012	n/a	n/a	n/a	n/a		n/a
2011	n/a	n/a	n/a	n/a		n/a
2010	n/a	n/a	n/a	n/a		n/a

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2018 is not available.

Town of Courtland, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2019

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Town of Courtland, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program

For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00053%	0.00600%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 9,000	\$ 9,000
Employer's Covered Payroll	\$ 100,548	\$ 110,768
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.95%	8.13%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

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

For Reference Only

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

Town of Courtland, Virginia

Schedule of Employer Contributions for OPEB Group Life Insurance Program

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 533	\$ 533	\$ -	\$ 102,559	0.52%
2018	523	523	-	100,548	0.52%
2017	576	576	-	110,768	0.52%
2016	667	604	63	125,919	0.48%
2015	654	593	61	123,441	0.48%
2014	633	574	59	119,505	0.48%
2013	621	562	59	117,150	0.48%
2012	491	312	179	111,573	0.28%
2011	487	310	177	110,697	0.28%
2010	405	224	181	112,505	0.27%

For Reference Only:

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

Column 2 - Actual employer contribution remitted to VRS.

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

Town of Courtland, Virginia

Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2019

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

JRS Employees

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

Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

Town of Courtland, Virginia

Schedule of Employer's Share of Net OPEB Liability Line of Duty Act (LODA) For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.01052%	0.01066%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 34,000	\$ 28,000
Employer's Covered Payroll	\$ 93,932 *	\$ 73,974 *
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered Payroll	36.20% *	37.85% *
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%	1.30%

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

**The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on page 122 of the VRS Comprehensive Annual Financial Report (CAFR).

Town of Courtland, Virginia

Schedule of Employer Contributions for VRS OPEB LODA

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 1,412	\$ 1,412	\$ -	\$ 92,592	* 1.52% *
2018	1,135	1,135	-	93,932	* 1.21%
2017	1,135	1,135	-	73,974	* 1.53% *
2016	N/A	N/A	N/A	N/A	* N/A *
2015	N/A	N/A	N/A	N/A	* N/A *
2014	N/A	N/A	N/A	N/A	* N/A *
2013	N/A	N/A	N/A	N/A	* N/A *
2012	N/A	N/A	N/A	N/A	* N/A *
2011	N/A **	N/A **	N/A **	N/A **	** N/A **
2010	N/A **	N/A **	N/A **	N/A **	** N/A **

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

**FY 2011 was the first year for the Line of Duty Act Program (LODA), however, there were no contributions.

Town of Courtland, Virginia

Notes to Required Supplementary Information – VRS OPEB LODA

For the Year Ended June 30, 2019

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

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

General State Employees

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

SPORS Employees

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

VaLORS Employees

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

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

COMPLIANCE SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

Robin B. Jones, CPA, CFP
Denise C. Williams, CPA, CSEP
Kimberly W. Jackson, CPA

Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

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

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

To the Town Council
Town of Courtland, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Courtland, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Courtland, Virginia's basic financial statements and have issued our report thereon dated September 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Courtland, 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 Courtland, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Courtland, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

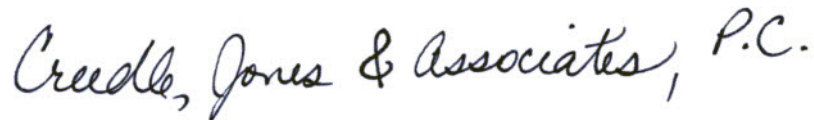
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

South Hill, Virginia
September 20, 2020