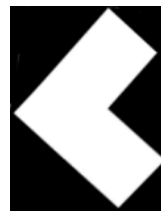


Town of Brodnax, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2019



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

Town of Brodnax, Virginia

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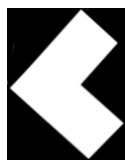
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FINANCIAL SECTION



**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 Brodnax, 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 Brodnax, 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 Brodnax, 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 Brodnax, Virginia, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

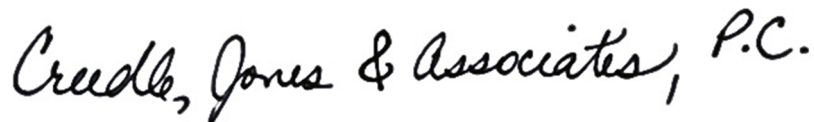
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 60-63, and 64-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020, on our consideration of the Town of Brodnax, 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 Brodnax, 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 Brodnax, Virginia's internal control over financial reporting and compliance.



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

South Hill, Virginia
March 11, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Brodnax, Virginia presents the following discussion and analysis as an overview of the Town of Brodnax, 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 \$418,398. Of this amount, \$75,164 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 \$3,343,460 with an unrestricted balance of \$37,218.
- The Town's total net position increased by \$202,167 during the current fiscal year. Of this amount, a decrease of \$15,485 is related to governmental activities and an increase of \$217,652 is attributed to business-type activities.
- As of June 30, 2019, the Town's Governmental Funds reported combined ending fund balances of \$87,768, an increase of \$8,872 in comparison with the prior year. All of which is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2019, the General Fund unassigned fund balance was \$87,768, or approximately 27.03% 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.

The Statement of Net Position presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows. 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.

The 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, planning and community development, 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 while all others are combined into a single aggregated presentation, if applicable.

The Town has two types of funds:

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

Proprietary Funds - The Town has an Enterprise Fund which operates in a manner similar to private business enterprises in which 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 presents certain required supplementary information such as a budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets			
Current and other assets	\$ 163,390	\$ 41,941	\$ 205,331
Capital assets (net)	<u>347,750</u>	<u>3,745,816</u>	<u>4,093,566</u>
Total Assets	511,140	3,787,757	4,298,897
Deferred Outflows of Resources	<u>8,400</u>	<u>-</u>	<u>8,400</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 519,540</u>	<u>\$ 3,787,757</u>	<u>\$ 4,307,297</u>
Liabilities			
Other liabilities	\$ 13,066	\$ 3,920	\$ 16,986
Long-term liabilities	<u>21,516</u>	<u>440,377</u>	<u>461,893</u>
Total Liabilities	34,582	444,297	478,879
Deferred Inflows of Resources	66,560	-	66,560
Net Position			
Net investment in capital assets	343,234	3,306,242	3,649,476
Unrestricted	<u>75,164</u>	<u>37,218</u>	<u>112,382</u>
Total Net Position	<u>418,398</u>	<u>3,343,460</u>	<u>3,761,858</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 519,540</u>	<u>\$ 3,787,757</u>	<u>\$ 4,307,297</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Year Ended June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program Revenues			
Charges for services	\$ 93,743	\$ 158,176	\$ 251,919
Operating grants and contributions	17,748	304,218	321,966
General Revenues			
General property taxes, real and personal	72,301	-	72,301
Other taxes	73,915	-	73,915
Permits and licenses	60	-	60
Grants and contributions not restricted to specific programs	35,731	-	35,731
Unrestricted revenues from use of money and property	3,904	135	4,039
Miscellaneous	<u>8,062</u>	<u>-</u>	<u>8,062</u>
Total Revenues	305,464	462,529	767,993
Expenses			
General government administration	139,595	-	139,595
Public safety	134,716	-	134,716
Public works	70,354	-	70,354
Planning and community development	3,752	-	3,752
Parks, recreation and cultural	1,728	-	1,728
Water and sewer	-	193,802	193,802
Interest on long-term debt	<u>243</u>	<u>21,636</u>	<u>21,879</u>
Total Expenses	<u>350,388</u>	<u>215,438</u>	<u>565,826</u>
Change in Net Position Before Transfers	(44,924)	247,091	202,167
Transfers In (Out)	<u>29,439</u>	<u>(29,439)</u>	<u>-</u>
Change in Net Position	(15,485)	217,652	202,167
Beginning Net Position (Restated)	<u>433,883</u>	<u>3,125,808</u>	<u>3,559,691</u>
Ending Net Position	<u>\$ 418,398</u>	<u>\$ 3,343,460</u>	<u>\$ 3,761,858</u>

Governmental activities decreased the Town's net position by \$15,485 for fiscal year 2019. Revenues from governmental activities totaled \$305,464. Charges for services comprise the largest source of these revenues, totaling \$93,743 or 30.69% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$350,388. General government administration was the Town's largest program with expenses totaling \$139,595. Public safety, which totals \$134,716, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Year Ended June 30, 2019

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 139,595	\$ (139,595)
Public safety	134,716	(60,279)
Public works	70,354	(33,300)
Planning and community development	3,752	(3,752)
Parks, recreation and cultural	1,728	(1,728)
Debt service	<u>243</u>	<u>(243)</u>
Total	<u>\$ 350,388</u>	<u>\$ (238,897)</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 \$87,768. The combined governmental fund balance increased \$8,782 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 \$87,768. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27.03% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>Original Budget</u>	<u>2019 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2018 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$83,442	\$83,442	\$70,847	\$75,052	\$75,052	\$73,088
Other local taxes	71,782	71,782	73,915	81,600	81,600	69,584
Permits, fees, and licenses	120	120	60	640	640	120
Fines and forfeitures	60,000	60,000	56,689	100,000	100,000	61,852
Unrestricted revenues from use of money and property	4,500	4,500	3,904	4,700	4,700	4,475
Charges for services	34,200	34,200	37,054	33,000	33,000	36,325
Recovered costs	-	-	-	2,178	2,178	1,396
Miscellaneous	100	100	8,062	-	-	2,286
Intergovernmental	<u>24,312</u>	<u>24,312</u>	<u>53,479</u>	<u>25,955</u>	<u>25,955</u>	<u>28,049</u>
Total	<u>278,456</u>	<u>278,456</u>	<u>304,010</u>	<u>323,125</u>	<u>323,125</u>	<u>277,175</u>
Expenditures	<u>285,286</u>	<u>285,286</u>	<u>324,667</u>	<u>329,145</u>	<u>329,145</u>	<u>288,007</u>
Excess (Deficiency) of Revenues over Expenditures	(6,830)	(6,830)	(20,657)	(6,020)	(6,020)	(10,832)
Other Financing Sources (Uses)						
Transfers in (out)	<u>6,830</u>	<u>6,830</u>	<u>29,439</u>	<u>6,020</u>	<u>6,020</u>	<u>73,617</u>
Total	<u>6,830</u>	<u>6,830</u>	<u>29,439</u>	<u>6,020</u>	<u>6,020</u>	<u>73,617</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,785</u>

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

Actual revenues were more than final budget amounts by \$25,554, or 9.18%, while actual expenditures were \$39,381, or 13.80% 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 \$347,750, which represents a net decrease of \$23,404 or 6.31% over the previous fiscal year-end balance. The business-type activities net capital assets total \$3,745,816, a net increase of \$229,620 or 6.53% over the previous fiscal year.

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	\$ 88,500	\$ -	\$ 88,500
Construction-in-progress	8,250	30,701	38,951
Buildings and improvements	328,100	-	328,100
Furniture, equipment, and vehicles	<u>904,766</u>	<u>-</u>	<u>904,766</u>
Total Capital Assets	1,329,616	30,701	1,360,317
Less: Accumulated depreciation and amortization	<u>(958,462)</u>	<u>(54,105)</u>	<u>(1,012,567)</u>
Total Capital Assets, Net	<u>\$ 371,154</u>	<u>\$ (23,404)</u>	<u>\$ 347,750</u>

Business-Type Activities

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land and land improvements	\$ 67,400	\$ -	\$ 67,400
Construction-in-progress	1,524,014	304,701	1,828,715
Infrastructure - water/sewer systems	5,395,060	-	5,395,060
Furniture, equipment, and vehicles	<u>84,125</u>	<u>-</u>	<u>84,125</u>
Total Capital Assets	7,070,599	304,701	7,375,300
Less: Accumulated depreciation and amortization	<u>(3,554,403)</u>	<u>(75,081)</u>	<u>(3,629,484)</u>
Total Capital Assets, Net	<u>\$ 3,516,196</u>	<u>\$ 229,620</u>	<u>\$ 3,745,816</u>

Long-Term Debt

As of June 30, 2019, the Town's long-term obligations total \$444,090.

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Governmental Activities			
Long-term debt	<u>\$ 9,727</u>	<u>\$ (5,211)</u>	<u>\$ 4,516</u>
Total Governmental Activities	9,727	(5,211)	4,516
Business-Type Activities			
Long-term debt	<u>457,074</u>	<u>(17,500)</u>	<u>439,574</u>
Total Reporting Entity	<u>\$ 466,801</u>	<u>\$ (22,711)</u>	<u>\$ 444,090</u>

More detailed information on the Town's long-term obligations is presented in Notes 7 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Brodnax, Virginia in June 2019 was 4.7%. This compares unfavorably to the state's rate of 2.9% and unfavorably to the national rate of 3.9%.
- According to the 2010 U.S. Census, the population in the Town of Brodnax, Virginia was 298.
- The per capita income in the Town of Brodnax, Virginia was \$16,345, compared to \$27,705 for the state, according to the 2010 U.S. Census data.

The fiscal year 2020 adopted budget anticipates General Fund revenues and expenditures to be \$291,515, a 4.69% increase over the fiscal year 2019 original budget.

The fiscal year 2020 adopted budget anticipates water and sewer revenue to be \$136,397, a 10.80% decrease over the fiscal year 2019 budget.

RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 Town Clerk/Treasurer, Town of Brodnax, Virginia, P.O. Box K, Brodnax, Virginia 23920, telephone 434-729-3191.

BASIC FINANCIAL STATEMENTS

Town of Brodnax, Virginia

Statement of Net Position

At June 30, 2019

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 87,414	\$ 27,383	\$ 114,797
Receivables, net	15,860	14,558	30,418
Due from other governments	4,753	-	4,753
Capital Assets			
Land and land improvements	88,500	67,400	155,900
Construction-in-progress	38,951	1,828,715	1,867,666
Depreciable assets, net of accumulated depreciation	<u>220,299</u>	<u>1,849,701</u>	<u>2,070,000</u>
Capital Assets, Net	347,750	3,745,816	4,093,566
Other Assets			
Net pension asset	<u>55,363</u>	<u>-</u>	<u>55,363</u>
Total Assets	511,140	3,787,757	4,298,897
Deferred Outflows of Resources			
Deferred outflows - pension	5,406	-	5,406
Deferred outflows - VLDP	288	-	288
Deferred outflows - LODA	<u>2,706</u>	<u>-</u>	<u>2,706</u>
Total Deferred Outflows of Resources	<u>8,400</u>	<u>-</u>	<u>8,400</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 519,540</u>	<u>\$ 3,787,757</u>	<u>\$ 4,307,297</u>
Liabilities			
Pooled cash deficit	\$ -	\$ 3,920	\$ 3,920
Accounts payable and accrued liabilities	13,066	-	13,066
Customer deposits	-	803	803
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	4,516	20,228	24,744
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	-	419,346	419,346
Net LODA liability	<u>17,000</u>	<u>-</u>	<u>17,000</u>
Total Liabilities	34,582	444,297	478,879
Deferred Inflows of Resources			
Deferred inflows - pension	53,560	-	53,560
Deferred inflows - LODA	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Total Deferred Inflows of Resources	66,560	-	66,560
Net Position			
Net investment in capital assets	343,234	3,306,242	3,649,476
Unrestricted	<u>75,164</u>	<u>37,218</u>	<u>112,382</u>
Total Net Position	<u>418,398</u>	<u>3,343,460</u>	<u>3,761,858</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 519,540</u>	<u>\$ 3,787,757</u>	<u>\$ 4,307,297</u>

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

Town of Brodnax, Virginia

Statement of Activities

For the Year Ended June 30, 2019

Net (Expense) Revenue and
Changes in Net Position

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Primary Government						
Governmental Activities						
General government administration	\$ 139,595	\$ -	\$ -	\$ (139,595)		\$ (139,595)
Public safety	134,716	56,689	17,748	(60,279)		(60,279)
Public works	70,354	37,054	-	(33,300)		(33,300)
Planning and community development	3,752	-	-	(3,752)		(3,752)
Parks, recreation and cultural	1,728	-	-	(1,728)		(1,728)
Debt service	243	-	-	(243)		(243)
Total Governmental Activities	350,388	93,743	17,748	(238,897)		(238,897)
Business-Type Activities						
Water and Sewer Fund	215,438	158,176	304,218		\$ 246,956	246,956
Total Business-Type Activities	215,438	158,176	304,218		246,956	246,956
Total Primary Government	\$ 565,826	\$ 251,919	\$ 321,966		246,956	8,059
General Revenues						
Taxes						
General property taxes, real and personal				72,301	-	72,301
Other local taxes				73,915	-	73,915
Permits and licenses				60	-	60
Grants and contributions not restricted to specific programs				35,731	-	35,731
Unrestricted revenues from use of money and property				3,904	135	4,039
Miscellaneous				8,062	-	8,062
Transfers in (out)				29,439	(29,439)	-
Total General Revenues and Transfers				223,412	(29,304)	194,108
Change in Net Position				(15,485)	217,652	202,167
Net Position - Beginning of Year (Restated)				433,883	3,125,808	3,559,691
Net Position - End of Year				\$ 418,398	\$ 3,343,460	\$ 3,761,858

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

Town of Brodnax, Virginia

Balance Sheet

Governmental Funds

At June 30, 2019

	General Fund
Assets	
Cash and investments	\$ 87,414
Property taxes receivable	7,193
Garbage receivables, net	4,744
Other receivables	3,923
Due from other governments	<u>4,753</u>
Total Assets	<u>\$ 108,027</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 13,066</u>
Total Liabilities	13,066
Deferred Inflows of Resources	
Unavailable revenue - property taxes	<u>7,193</u>
Total Deferred Inflows of Resources	7,193
Fund Balance	
Unassigned	<u>87,768</u>
Total Fund Balance	<u>87,768</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 108,027</u>

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

Town of Brodnax, Virginia

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

At June 30, 2019

Total Fund Balance for Governmental Fund	\$ 87,768
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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	\$ 88,500
Construction-in-progress	38,951
Buildings and improvements, net of accumulated depreciation	157,317
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>62,982</u>

Total Capital Assets	347,750
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Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.

Unavailable revenue - property taxes	7,193
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	5,406
Deferred inflows of resources related to pensions	(53,560)
Deferred outflows of resources related to VLDP	288
Deferred outflows of resources related to LODA	2,706
Deferred inflows of resources related to LODA	<u>(13,000)</u>

Total Deferred Outflows and Inflows of Resources	(58,160)
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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:

Notes payable	(4,516)
Net pension liability/asset	55,363
Net LODA liability/asset	<u>(17,000)</u>

Total Net Position of Governmental Activities	<u>\$ 418,398</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Brodnax, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

	General Fund
Revenues	
Property taxes	\$ 70,847
Other local taxes	73,915
Permits and licenses	60
Fines and forfeitures	56,689
Use of money and property	3,904
Charges for services	37,054
Miscellaneous	8,062
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	<u>53,479</u>
Total Revenues	304,010
Expenditures	
Current	
General government administration	124,933
Public safety	96,911
Public works	61,187
Planning and community development	3,752
Parks, recreation and cultural	32,430
Debt service	<u>5,454</u>
Total Expenditures	<u>324,667</u>
Excess (Deficiency) of Revenues Over Expenditures	(20,657)
Other Financing Sources (Uses)	
Transfers	<u>29,439</u>
Total Other Financing Sources (Uses)	<u>29,439</u>
Net Change in Fund Balance	8,782
Fund Balance - Beginning of Year (Restated)	<u>78,986</u>
Fund Balance - End of Year	<u><u>\$ 87,768</u></u>

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

Town of Brodnax, 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 Balance - Total Governmental Funds \$ 8,782

**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	\$	30,701	
Depreciation		<u>(54,105)</u>	
			(23,404)

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

1,454

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

Repayments on debt	\$	<u>5,211</u>	5,211
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:

Deferred inflows - pension	(40,590)		
Deferred inflows - OPEB	1,000		
Deferred outflows - pension	(30,018)		
Deferred outflows - OPEB	2,427		
Other postemployment benefits	(3,000)		
Net pension (asset)/liability	<u>62,653</u>		
			<u>(7,528)</u>

Change in Net Position of Governmental Activities \$ (15,485)

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

Town of Brodnax, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2019

	Business-Type Activities - Enterprise Fund		
	Water Fund	Sewer Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 21,772	\$ -	\$ 21,772
Restricted cash	3,557	2,054	5,611
Receivables, net	<u>8,735</u>	<u>5,823</u>	<u>14,558</u>
Total Current Assets	34,064	7,877	41,941
Noncurrent Assets			
<i>Capital Assets</i>			
Nondepreciable	1,860,715	35,400	1,896,115
Depreciable, net	<u>2,520</u>	<u>1,847,181</u>	<u>1,849,701</u>
Total Capital Assets	1,863,235	1,882,581	3,745,816
Total Noncurrent Assets	<u>1,863,235</u>	<u>1,882,581</u>	<u>3,745,816</u>
Total Assets	1,897,299	1,890,458	3,787,757
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,897,299</u>	<u>\$ 1,890,458</u>	<u>\$ 3,787,757</u>
Liabilities			
Current Liabilities			
Pooled cash deficit	\$ -	\$ 3,920	\$ 3,920
Customer deposits	803	-	803
Bonds payable - current	<u>2,697</u>	<u>17,531</u>	<u>20,228</u>
Total Current Liabilities	3,500	21,451	24,951
Noncurrent Liabilities			
Bonds payable, net of current portion	<u>267,137</u>	<u>152,209</u>	<u>419,346</u>
Total Noncurrent Liabilities	<u>267,137</u>	<u>152,209</u>	<u>419,346</u>
Total Liabilities	270,637	173,660	444,297
Deferred Inflows of Resources	-	-	-
Net Position			
Net investment in capital assets	1,593,401	1,712,841	3,306,242
Unrestricted (deficit)	<u>33,261</u>	<u>3,957</u>	<u>37,218</u>
Total Net Position	<u>1,626,662</u>	<u>1,716,798</u>	<u>3,343,460</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,897,299</u>	<u>\$ 1,890,458</u>	<u>\$ 3,787,757</u>

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

Town of Brodnax, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2019

Business-Type Activities - Enterprise Fund

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Water and sewer charges	\$ 65,587	\$ 85,251	\$ 150,838
Late fees and reconnection fees	5,590	-	5,590
Operating grants - federal	304,218	-	304,218
Other income	<u>1,748</u>	<u>-</u>	<u>1,748</u>
Total Operating Revenues	377,143	85,251	462,394
Operating Expenses			
Water purchases	27,153	-	27,153
Sewage treatment	-	22,947	22,947
Computer software	2,216	-	2,216
Miscellaneous	3,694	-	3,694
Materials and supplies	1,675	12,655	14,330
Repairs and maintenance	1,600	28,527	30,127
Utilities and telephone	6,358	-	6,358
Office	4,429	-	4,429
Legal	1,468	-	1,468
Lab tests/exam	1,233	-	1,233
Depreciation	210	74,871	75,081
Waterworks operation fee	<u>4,766</u>	<u>-</u>	<u>4,766</u>
Total Operating Expenses	<u>54,802</u>	<u>139,000</u>	<u>193,802</u>
Operating Income (Loss)	322,341	(53,749)	268,592
Nonoperating Revenues (Expenses)			
Interest income	64	71	135
Interest expense	<u>(12,286)</u>	<u>(9,350)</u>	<u>(21,636)</u>
Total Nonoperating Revenues (Expenses)	<u>(12,222)</u>	<u>(9,279)</u>	<u>(21,501)</u>
Income (Loss) Before Transfers	310,119	(63,028)	247,091
Transfers	<u>(44,784)</u>	<u>15,345</u>	<u>(29,439)</u>
Change in Net Position	265,335	(47,683)	217,652
Total Net Position - Beginning of Year	<u>1,361,327</u>	<u>1,764,481</u>	<u>3,125,808</u>
Total Net Position - End of Year	<u>\$ 1,626,662</u>	<u>\$ 1,716,798</u>	<u>\$ 3,343,460</u>

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

Town of Brodnax, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2019

Business-Type Activities - Enterprise Fund

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 73,967	\$ 79,428	\$ 153,395
Miscellaneous income	1,748	-	1,748
Operating grants	668,561	-	668,561
Payments to suppliers	<u>(412,250)</u>	<u>(75,033)</u>	<u>(487,283)</u>
Net Cash Provided by Operating Activities	332,026	4,395	336,421
Cash Flows from Financing Capital and Related Activities			
Transfer from (to) other funds	(44,784)	15,345	(29,439)
Purchase of capital assets	(304,701)	-	(304,701)
Repayment of long-term debt - principal	(2,125)	(15,375)	(17,500)
Repayment of long-term debt - interest	<u>(12,286)</u>	<u>(9,350)</u>	<u>(21,636)</u>
Net Cash Used in Financing Capital and Related Activities	(363,896)	(9,380)	(373,276)
Cash Flows from Investing Activities			
Interest income	<u>64</u>	<u>71</u>	<u>135</u>
Net Cash Provided by Investing Activities	<u>64</u>	<u>71</u>	<u>135</u>
Net Decrease in Cash and Cash Equivalents	(31,806)	(4,914)	(36,720)
Cash and Cash Equivalents - Beginning of Year	<u>57,135</u>	<u>6,968</u>	<u>64,103</u>
Cash and Cash Equivalents - End of Year	<u>\$ 25,329</u>	<u>\$ 2,054</u>	<u>\$ 27,383</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 322,341	\$ (53,749)	\$ 268,592
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>			
Depreciation expense	210	74,871	75,081
Reconciling items between funds	4,884	(4,884)	-
<i>Changes in assets and liabilities</i>			
Receivables, net	3,018	(5,823)	(2,805)
Due from other governments	364,343	-	364,343
Pooled cash deficit	-	(6,020)	(6,020)
Accounts payable	(362,542)	-	(362,542)
Customer deposits	<u>(228)</u>	<u>-</u>	<u>(228)</u>
Net Cash Provided by Operating Activities	<u>\$ 332,026</u>	<u>\$ 4,395</u>	<u>\$ 336,421</u>

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

Town of Brodnax, Virginia

Notes to the Financial Statements

Year Ended June 30, 2019

1 Summary of Significant Accounting Policies and Use of Estimates

Narrative Profile

The Town of Brodnax, Virginia (the "Town"), which was incorporated in 1915, has a population of approximately 298. The Town is located in the Southside area in Southeastern Virginia. The Town is governed by an appointed Town Manager, an elected Mayor, and a seven-member Town Council with each serving administrative and legislative functions.

The Town of Brodnax, Virginia engages in a comprehensive range of municipal services, including, but not limited to public safety, water, sewer, and sanitation.

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.

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. 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 is designed to display the financial position of the Primary Government. In addition to reporting current assets and deferred outflows of resources and liabilities and deferred inflows of resources, the Statement of Net Position includes both noncurrent assets and deferred outflows of resources and noncurrent liabilities and deferred inflows of resources of the Town (such as capital assets and long-term liabilities for various employee benefits). The net position of the Town may be presented in three categories – (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The Town generally uses restricted resources for expenses incurred for which both restricted and unrestricted net position is available.

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. There are no Special Revenue Funds as of June 30, 2019.
 - *Capital Projects Funds* – Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned for capital outlay or rehabilitation expenditures. The Town has no capital projects funds as of June 30, 2019.

- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water Fund and Sewer Fund, which account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- *Fiduciary Funds (Agency Funds)* – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds as of June 30, 2019.

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, 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, etc.) or a business-type activity.

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

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

Cash and cash equivalents include cash on hand, demand deposits as well as short-term investments with an original maturity date of three months or less.

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown 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. The allowance amounts are as follows:

General Fund - garbage receivables	\$ 449
Water and Sewer Fund - receivables	\$ 1,377

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	January 1	January 1
Due Date	December 5	December 5

The Town bills and collects its own property taxes.

A 10% penalty rate as well as a 10% interest rate is assessed per month beginning February 5.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

Asset Description	Estimated Lives
Buildings and improvements	15 to 40 years
Infrastructure - water/sewer systems	15 to 50 years
Furniture, equipment, and vehicles	5 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.

1-E-7 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-8 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-9 Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability

Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for 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 and gains or losses on the disposition of capital assets.

1-E-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Adoption of New GASB Statements

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

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

General Fund expenditures exceeded appropriations.

Fund Deficits

No funds reported a fund deficit for fiscal year 2019.

3 **Cash and Cash Equivalents**

Deposits

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

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2019</u>		
Petty cash	\$	500	
Deposit accounts		<u>110,377</u>	
Total Cash and Cash Equivalents	\$	<u>110,877</u>	

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 87,414</u>	<u>\$ 23,463</u>	<u>\$ 110,877</u>

4 Receivables

Receivables at June 30, 2019 consist of the following:

	<u>Primary Government Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Property taxes	\$ 7,193	\$ -
Garbage	5,193	-
Other	3,923	-
Water and sewer	<u>-</u>	<u>15,935</u>
Total Receivables	16,309	15,935
Less: Allowance for doubtful accounts	<u>(449)</u>	<u>(1,377)</u>
Net Receivables	<u>\$ 15,860</u>	<u>\$ 14,558</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	\$ -	\$ 29,439
Water Fund		
To General Fund	29,439	-
From Sewer Fund	-	66,614
Sewer Fund		
To Water Fund	<u>66,614</u>	<u>-</u>
Total Transfers	<u>\$ 96,053</u>	<u>\$ 96,053</u>

Transfers between funds were primarily to support operations of the funds.

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	\$ 88,500	\$ -	\$ -	\$ 88,500
Construction-in-progress	8,250	30,701	-	38,951
Total Capital Assets Not Being Depreciated	96,750	30,701	-	127,451
Other Capital Assets				
Buildings and improvements	328,100	-	-	328,100
Furniture, equipment, and vehicles	904,766	-	-	904,766
Total Other Capital Assets	1,232,866	-	-	1,232,866
Less: Accumulated depreciation for				
Buildings and improvements	160,968	9,815	-	170,783
Furniture, equipment, and vehicles	797,494	44,290	-	841,784
Total Accumulated Depreciation	958,462	54,105	-	1,012,567
Other Capital Assets, Net	274,404	(54,105)	-	220,299
Net Capital Assets	\$ 371,154	\$ (23,404)	\$ -	\$ 347,750
Depreciation expense was allocated as follows:				
General government administration	\$ 6,994			
Public safety	37,944			
Public works	9,167			
Total Depreciation Expense	\$ 54,105			

Business-Type Activities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 67,400	\$ -	\$ -	\$ 67,400
Construction-in-progress	1,524,014	304,701	-	1,828,715
Total Capital Assets Not Being Depreciated	1,591,414	304,701	-	1,896,115
Other Capital Assets				
Infrastructure - water/sewer systems	5,395,060	-	-	5,395,060
Furniture, equipment, and vehicles	84,125	-	-	84,125
Total Other Capital Assets	5,479,185	-	-	5,479,185
Less: Accumulated depreciation for				
Water/sewer systems	3,409,920	75,081	-	3,485,001
Furniture, equipment, and vehicles	144,483	-	-	144,483
Total Accumulated Depreciation	3,554,403	75,081	-	3,629,484
Other Capital Assets, Net	1,924,782	(75,081)	-	1,849,701
Net Capital Assets	\$ 3,516,196	\$ 229,620	\$ -	\$ 3,745,816

7 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30.</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,516	\$ 86	\$ 4,602
Total	<u>\$ 4,516</u>	<u>\$ 86</u>	<u>\$ 4,602</u>

<u>Year(s) Ended June 30.</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 20,228	\$ 17,355	\$ 37,583
2021	21,214	16,370	37,584
2022	22,234	15,350	37,584
2023	23,304	14,279	37,583
2024	24,414	13,169	37,583
Thereafter	<u>328,180</u>	<u>119,786</u>	<u>447,966</u>
Total	<u>\$ 439,574</u>	<u>\$ 196,309</u>	<u>\$ 635,883</u>

Changes in Long-Term Debt

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

	<u>Balance July 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities					
General Fund					
Promissory note payable to USDA Rural Development with monthly payments of \$386.00 for 5 years at 3.50% interest.	\$ 8,906	\$ -	\$ 4,390	\$ 4,516	\$ 4,516
Note payable to Sheffield Financial with monthly payments of \$164.47 for 4 years at 0% interest.	<u>821</u>	<u>-</u>	<u>821</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	9,727	-	5,211	4,516	4,516
Business-Type Activities					
General Obligation Bond payable to the USDA Rural Development with monthly payments of \$2,480.00 for 40 years at 5.00% interest.	267,074	-	15,375	251,699	17,531
General Obligation Bond payable to the USDA Rural Development with monthly payments of \$294.42 for 40 years at 2.875% interest.	83,000	-	929	82,071	1,141
General Obligation Bond payable to the USDA Rural Development with monthly payments of \$360.55 for 40 years at 2.65% interest.	<u>107,000</u>	<u>-</u>	<u>1,196</u>	<u>105,804</u>	<u>1,556</u>
Total Business-Type Activities	<u>457,074</u>	<u>-</u>	<u>17,500</u>	<u>439,574</u>	<u>20,228</u>
Total Primary Government	<u>\$ 466,801</u>	<u>\$ -</u>	<u>\$ 22,711</u>	<u>\$ 444,090</u>	<u>\$ 24,744</u>

8 Long-Term Commitments

The Town of Brodnax, Virginia has entered into an agreement with the Town of South Hill, Virginia for wastewater treatment capacity. In lieu of signing notes for financing the treatment facility, the Towns negotiated a rate that consists of two payment components. First, there is a flat monthly charge of \$727.95 based on the allotted capacity of the plant. This amount is due until January of 2035. Secondly, there is a variable monthly charge based on consumption. Collectively, the two payments are recorded in the sewer fund as sewer treatment expenses.

Long-Term Commitment to the Town of South Hill, Virginia for Operating Agreement

<u>Year(s) Ended June 30.</u>	<u>Annual Payments Sewer Fund</u>
2020	\$ 8,735
2021	8,735
2022	8,735
2023	8,735
2024	8,735
2025-2029	43,675
2030-2034	43,675
2035	<u>8,014</u>
Total	<u>\$ 139,039</u>

There are 191 payments left as of June 30, 2019 for \$727.95 per month for the fixed component of the payment.

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 1,360,317	\$ 7,375,300
Less: Accumulated depreciation	<u>(1,012,567)</u>	<u>(3,629,484)</u>
Book value	347,750	3,745,816
Less: Capital related debt	<u>(4,516)</u>	<u>(439,574)</u>
Net Investment in Capital Assets	<u>\$ 343,234</u>	<u>\$ 3,306,242</u>

10 Deferred Inflows of Resources

Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, second half installments levied during the fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows of resources from unavailable property taxes are comprised of the following:

Primary Government

General Fund

Delinquent taxes not collected within 60 days	<u>\$ 7,193</u>
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Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 7,193</u>
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11 Risk Management

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

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

Surety bond coverage is as follows:

Town Clerk/Treasurer	\$ 50,000
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12 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.

13 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 11,739,733</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 1,173,973
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>444,090</u>
Legal Debt Margin - June 30, 2019	<u>\$ 729,883</u>

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

14 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by 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 are paying 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:

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RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

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

Creditable Service

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

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

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

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

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1*Normal Retirement Age*

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2*Normal Retirement Age*

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN***Normal Retirement Age*

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
LTD	-
Inactive members active elsewhere in VRS	-
Total inactive members	-
Active members	<u>2</u>
Total covered employees	<u>3</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 0.89% 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 \$624 and \$8,903 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 Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2017	\$ 146,883	\$ 139,593	\$ 7,290
Changes for the Year			
Service cost	6,126	-	6,126
Interest	9,888	-	9,888
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(55,578)	-	(55,578)
Contributions - employer	-	8,830	(8,830)
Contributions - employee	-	3,750	(3,750)
Net investment income	-	10,605	(10,605)
Benefit payments, including refunds of employee contributions	(11,265)	(11,265)	-
Administrative expenses	-	(87)	87
Other changes	-	(9)	9
Net Changes	<u>(50,829)</u>	<u>11,824</u>	<u>(62,653)</u>
Balances at June 30, 2018	<u>\$ 96,054</u>	<u>\$ 151,417</u>	<u>\$ (55,363)</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>Current Discount</u>	<u>1.00% Increase</u>
	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
Political subdivision's Net Pension Liability	\$ (42,057)	\$ (55,363)	\$ (66,303)

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 \$8,507. 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</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 4,782	\$ 50,244
Change in assumptions	-	1,342
Net difference between projected and actual earnings on pension plan investments	-	1,974
Employer contributions subsequent to the measurement date	<u>624</u>	<u>-</u>
Total	<u>\$ 5,406</u>	<u>\$ 53,560</u>

\$624 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	\$ (9,350)
2021	(13,647)
2022	(12,149)
2023	(10,684)
2024	(2,948)
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.

Payables to the Pension Plan

The political subdivision recognizes \$312 of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2019 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

15 Other Post-Employment Benefits - Line of Duty Act 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
<p>Eligible Employees</p> <p>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).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ \$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. <ul style="list-style-type: none"> ○ 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 \$706 and \$567 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 \$17,000 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 was .00534% as compared to .00526% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$(1,000). 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	\$ 2,000	\$ -
Net difference between projected and actual earnings on LODA OPEB program investments	-	-
Change in assumptions	-	2,000
Changes in proportion	-	11,000
Employer contributions subsequent to the measurement date	<u>706</u>	<u>-</u>
Total	<u>\$ 2,706</u>	<u>\$ 13,000</u>

\$706 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	\$ (2,000)
2021	(2,000)
2022	(2,000)
2023	(2,000)
2024	(2,000)
Thereafter	(1,000)

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
Valor's 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):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	<u>1,889</u>
Employer's Net OPEB Liability (Asset)	\$ 313,506
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	\$ 19,000	\$ 17,000	\$ 15,000

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 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Covered Employer's Proportionate Share of the Total LODA Net OPEB Liability	\$ 14,000	\$ 17,000	\$ 20,000

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.

16 Other Post-Employment Benefits - Political Subdivision Employee Virginia Local Disability Program

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$288 and \$240 for the years ended June 30, 2019 and June 30, 2018, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2019, the political subdivision reported a liability of \$-0- for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2018 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan 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 political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.01647% as compared to 0.02157% at June 30, 2017.

For the year ended June 30, 2019, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$-0-. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on VLDP OPEB plan investments	-	-
Change in assumptions	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	<u>288</u>	<u>-</u>
Total	<u>\$ 288</u>	<u>\$ -</u>

\$288 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP 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 Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		-

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program 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 - Political subdivision employees	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of 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 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 OPEB liabilities.

Mortality rates – Largest Ten Locality Employers - General and Non-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 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)	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 year 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 and Non-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)	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 year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

**Political Subdivision
Employee
VLDP OPEB Plan**

Total Political Subdivision VLDP OPEB Liability	\$ 1,588
Plan Fiduciary Net Position	<u>816</u>
Political Subdivision net VLDP OPEB Liability (Asset)	<u>\$ 772</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	51.22%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP 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 VRS 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 VRS 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 Political Subdivision Employee VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy 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 the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program 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, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB 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 Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 7.00%, as well as what the political subdivision's proportionate share of the net VLDP 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%)
Political Subdivision's Proportionate Share of the VRS School Board VLDP OPEB Plan Net OPEB Liability	\$ -	\$ -	\$ -

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability 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.

Payables to the Political Subdivision Employee Local Disability Program OPEB Plan

The political subdivision recognizes \$24 of payables to the Political Subdivision Employee Local Disability Program OPEB Plan outstanding at the end of the reporting period. This amount represents June 2019 legally required contributions to the plan due by July 10 per VRS reporting requirements.

17 Restatement of Net Position and Fund Balance

The General Fund was restated due to the following:

Fund Balance Restated to Recognize Grant Revenue in Proper Period:

	<u>General Fund</u>
Beginning Balance as previously reported - June 30, 2018	\$ 70,553
Train Depot Grant Revenue	<u>8,433</u>
Total Restated Amounts	<u>8,433</u>
Restated Balance - beginning of the year - July 1, 2018	<u>\$ 78,986</u>

Net position was restated due to the following:

Net Position Restated to Recognize Grant Revenue and Fixed Asset in Proper Period:

	<u>General Fund</u>
Beginning Balance as previously reported - June 30, 2018	\$ 417,200
Train Depot Grant Revenue	8,433
Fixed Assets	<u>8,250</u>
Total Restated Amounts	<u>16,683</u>
Restated Balance - beginning of the year - July 1, 2018	<u>\$ 433,883</u>

18 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 March 11, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Brodnax, Virginia
Budgetary Comparison Schedule
Year Ended June 30, 2019

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 47,500	\$ 47,500	\$ 40,718	\$ (6,782)
Personal property taxes	32,058	32,058	26,766	(5,292)
Delinquent taxes	2,234	2,234	2,447	213
Penalties and interest on taxes	<u>1,650</u>	<u>1,650</u>	<u>916</u>	<u>(734)</u>
Total General Property Taxes	83,442	83,442	70,847	(12,595)
Other Local Taxes				
Local sales and use taxes	18,031	18,031	20,301	2,270
Meals and lodging taxes	19,000	19,000	18,624	(376)
Communication taxes	9,720	9,720	8,921	(799)
Motor vehicle licenses	4,664	4,664	5,178	514
Business licenses	11,500	11,500	11,611	111
Utility and consumption taxes	<u>8,867</u>	<u>8,867</u>	<u>9,280</u>	<u>413</u>
Total Other Local Taxes	71,782	71,782	73,915	2,133
Permits, Privilege Fees, and Regulatory Licenses				
Other permits, licenses, and fees	<u>120</u>	<u>120</u>	<u>60</u>	<u>(60)</u>
Total Permits, Privilege Fees, and Regulatory Licenses	120	120	60	(60)
Fines and Forfeitures	60,000	60,000	56,689	(3,311)
Revenue from Use of Money and Property				
Revenue from use of property	<u>4,500</u>	<u>4,500</u>	<u>3,904</u>	<u>(596)</u>
Total Revenue from Use of Money and Property	4,500	4,500	3,904	(596)
Charges for Services				
Garbage fees	<u>34,200</u>	<u>34,200</u>	<u>37,054</u>	<u>2,854</u>
Total Charges for Services	34,200	34,200	37,054	2,854
Recovered Costs				
Fire Department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Recovered Costs	-	-	-	-
Miscellaneous				
Centennial	100	100	1,366	1,266
Miscellaneous	<u>-</u>	<u>-</u>	<u>6,696</u>	<u>6,696</u>
Total Miscellaneous	100	100	8,062	7,962

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Intergovernmental

Revenue from the Commonwealth of Virginia

Noncategorical Aid

Personal Property Tax Relief Act	7,700	7,700	7,687	(13)
Rolling stock tax	12	12	16	4
Total Noncategorical Aid	7,712	7,712	7,703	(9)

Categorical Aid

Law Enforcement Grant	5,600	5,600	7,748	2,148
Litter Grant	1,000	1,000	1,034	34
Tobacco Commission	-	-	26,994	26,994
Fire Department Grant	10,000	10,000	10,000	-
Total Categorical Aid	16,600	16,600	45,776	29,176

Total Revenue from the Commonwealth of Virginia	24,312	24,312	53,479	29,167
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Total Intergovernmental Revenue	24,312	24,312	53,479	29,167
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Total Revenues	278,456	278,456	304,010	25,554
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Current Expenditures

General Government Administration

Town Mayor salary	1,500	1,500	1,375	125
Town Council	3,360	3,360	2,840	520
Salaries and wages	85,900	85,900	82,000	3,900
Administrative assistant	500	500	329	171
Payroll taxes	5,140	5,140	6,799	(1,659)
Fringe benefits	16,514	16,514	7,750	8,764
Advertising	180	180	1,738	(1,558)
Auditor fees	5,500	5,500	7,150	(1,650)
Computer and software	200	200	558	(358)
Data processing - tax bills	600	600	465	135
Dues and subscriptions	175	175	160	15
Insurance	4,181	4,181	3,495	686
Legal fees	1,000	1,000	803	197
Miscellaneous	2,480	2,480	2,232	248
Office expense	3,500	3,500	3,961	(461)
Postage	600	600	705	(105)
Telephone	2,800	2,800	2,573	227
Total General Government Administration	134,130	134,130	124,933	9,197

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Public Safety				
<i>Police Department</i>				
Police Chief salary	50,021	50,021	49,067	954
Payroll taxes	-	-	3,754	(3,754)
Computer connect	1,400	1,400	597	803
Continuing education and training	500	500	750	(250)
Gas and oil	5,241	5,241	5,123	118
Insurance	5,717	5,717	5,902	(185)
Materials and supplies	500	500	1,202	(702)
Miscellaneous	36	36	5	31
Radio	9,000	9,000	5,785	3,215
Telephone	900	900	881	19
Uniforms	250	250	-	250
Vehicle repairs and maintenance	<u>1,500</u>	<u>1,500</u>	<u>3,093</u>	<u>(1,593)</u>
Total Police Department	75,065	75,065	76,159	(1,094)
<i>Fire Department</i>				
Gas and oil	1,000	1,000	1,013	(13)
Insurance	3,695	3,695	5,082	(1,387)
Materials and supplies	2,000	2,000	2,000	-
State funds	10,000	10,000	10,000	-
Utilities	3,000	3,000	2,657	343
Vehicle repairs and maintenance	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Fire Department	<u>21,195</u>	<u>21,195</u>	<u>20,752</u>	<u>443</u>
Total Public Safety	96,260	96,260	96,911	(651)
Public Works				
<i>Buildings and grounds</i>				
Utilities	3,000	3,000	2,719	281
Insurance	1,557	1,557	3,094	(1,537)
Repairs and maintenance	1,715	1,715	2,551	(836)
<i>Sanitation and maintenance of streets, highways and bridges</i>				
Salaries	20,500	20,500	15,939	4,561
Payroll taxes	-	-	1,219	(1,219)
Casual labor	-	-	3,986	(3,986)
Gas and oil	2,100	2,100	4,306	(2,206)
Insurance	1,853	1,853	197	1,656
Repairs and maintenance	1,200	1,200	1,670	(470)
Street lights	6,500	6,500	9,923	(3,423)
Supplies	3,000	3,000	6,230	(3,230)
Utilities	100	100	161	(61)
Miscellaneous	-	-	356	(356)
Vehicle repairs and maintenance	<u>3,000</u>	<u>3,000</u>	<u>8,836</u>	<u>(5,836)</u>
Total Public Works	44,525	44,525	61,187	(16,662)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Planning and Community Development				
Roanoke River Rails to Trails	500	500	500	-
Lake Area Bus Service	1,272	1,272	1,272	-
Airport contribution	1,980	1,980	1,980	-
Total Planning and Community Development	3,752	3,752	3,752	-
Parks, Recreation, and Cultural	1,000	1,000	32,430	(31,430)
Debt Service	5,619	5,619	5,454	165
Total Expenditures	285,286	285,286	324,667	(39,381)
Excess (Deficiency) of Revenues Over Expenditures	(6,830)	(6,830)	(20,657)	(13,827)
Other Financing Sources (Uses)				
Operating transfers in (out)	6,830	6,830	29,439	22,609
Total Other Financing Sources (Uses)	6,830	6,830	29,439	22,609
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	8,782	<u>\$ 8,782</u>
Fund Balance - Beginning of Year (Restated)			<u>78,986</u>	
Fund Balance - End of Year			<u>\$ 87,768</u>	

Town of Brodnax, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios For 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	\$ 6,126	\$ 6,161	\$ 3,900	\$ 3,865	\$ 16,598
Interest	9,888	10,637	5,718	7,259	5,781
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(55,578)	(11,194)	70,002	(30,300)	-
Changes in assumptions	-	(2,892)	-	-	-
Benefit Payments, including refunds of employee contributions	(11,265)	(15,558)	(3,155)	(2,522)	-
Net change in total pension liability	(50,829)	(12,846)	76,465	(21,698)	22,379
Total pension liability - beginning	146,883	159,729	83,264	104,962	82,583
Total pension liability - ending (a)	\$ 96,054	\$ 146,883	\$ 159,729	\$ 83,264	\$ 104,962
Plan fiduciary net position					
Contributions - employer	\$ 8,830	\$ 8,841	\$ 5,226	\$ 3,601	\$ 6,921
Contributions - employee	3,750	3,713	2,747	1,949	3,101
Net investment income	10,605	16,072	2,258	5,222	14,666
Benefit Payments, including refunds of employee contributions	(11,265)	(15,558)	(3,155)	(2,522)	-
Administrative expense	(87)	(96)	(70)	(67)	(69)
Other	(9)	(14)	(1)	(1)	1
Net change in plan fiduciary net position	11,824	12,958	7,005	8,182	24,620
Plan fiduciary net position - beginning	139,593	126,635	119,630	111,448	86,828
Plan fiduciary net position - ending (b)	\$ 151,417	\$ 139,593	\$ 126,635	\$ 119,630	\$ 111,448
Political subdivision's net pension liability - ending (a) - (b)	\$ (55,363)	\$ 7,290	\$ 33,094	\$ (36,366)	\$ (6,486)
Plan fiduciary net position as a percentage of the total pension liability	157.64%	95.04%	79.28%	143.68%	106.18%
Covered payroll	\$ 83,008	\$ 85,205	\$ 52,508	\$ 38,976	\$ 38,976
Political subdivision's net pension liability as a percentage of covered payroll	-66.70%	8.56%	63.03%	-93.30%	-16.64%

Town of Brodnax, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 624	\$ 624	\$ -	\$ 70,078	0.89%
2018	8,903	8,903	-	83,008	10.73%
2017	8,943	8,841	102	85,205	10.38%
2016	4,852	4,858	(6)	52,508	9.25%
2015	3,601	3,601	0	38,976	9.24%
2014	4,350	6,649	(2,299)	38,976	17.06%
2013	12,157	11,085	1,072	108,930	10.18%
2012	7,865	8,392	(527)	65,052	12.90%
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 2012 is not available.

Town of Brodnax, 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 Brodnax, Virginia

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

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.00534%	0.00526%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 17,000	\$ 14,000
Covered-Employee Payroll	50,212	\$ 50,360
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered Payroll	33.86%	27.80% *
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 are 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 2018 Comprehensive Annual Financial Report (CAFR).

Town of Brodnax, Virginia

Schedule of Employer Contributions for VRS LODA OPEB

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)	Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 706	\$ 706	\$ -	\$ 49,067	1.44% *
2018	567	567	-	50,212 *	1.13% *
2017	567	567	-	50,360 *	1.13% *
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 **

*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 employees in the OPEB plan.

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

For Reference Only:

Column 1 - Employer contribution rate multiplied by the covered-employee payroll

Column 2 - Actual employer contribution remitted to VRS

Column 4 - Covered-employee payroll amount for the fiscal year

Town of Brodnax, Virginia

Notes to Required Supplementary Information – VRS LODA 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%

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%

Town of Brodnax, Virginia

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program (VLDP) For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.01647%	0.02157%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ -	\$ -
Employer's Covered Payroll	\$ 39,996	\$ 39,600
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	51.22%	38.40%

*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.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 122 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

Town of Brodnax, Virginia

Schedule of Employer Contributions for VRS OPEB VLDP

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	\$ 288	\$ 288	\$ -	\$ 39,996	0.72%
2018	240	240	-	39,996	0.60%
2017	238	238	-	39,600	0.60%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A

For Reference Only:

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

Column 2 - Actual employer contribution remitted to VRS.

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

Town of Brodnax, Virginia

Notes to Required Supplementary Information – OPEB VLDP

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:

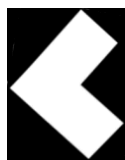
Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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 and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year 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 and Non-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 and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

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 Brodnax, 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 Brodnax, 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 Brodnax, Virginia's basic financial statements and have issued our report thereon dated March 11, 2020.

Internal Control Over Financial Reporting

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

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

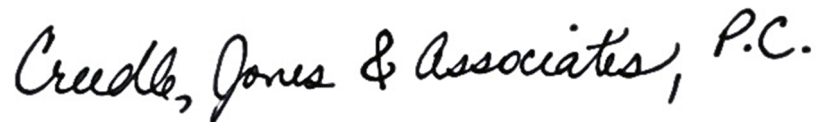
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Brodnax, 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
March 11, 2020