

TOWN OF STRASBURG, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TOWN OF STRASBURG, VIRGINIA

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2019

Prepared by

Angela Fletcher, Director of Finance

Strasburg, Virginia

**TOWN OF STRASBURG, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2019**

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INTRODUCTORY SECTION



November 30th, 2019

The Honorable Mayor,
Members of Town Council, and
Citizens of the Town of Front Royal

RE: FY 2018-2019 Comprehensive Annual Financial Report (CAFR)
Letter of Transmittal

Please find enclosed the Fiscal Year 2018-2019 (FY 18/19) Comprehensive Annual Financial Report (CAFR) for the Town of Strasburg (Town). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the Town's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards Board and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended Jun 30, 2019 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Town of Strasburg's MD&A can be found immediately following the report of the independent auditors.



Profile of the Town

Strasburg is located in north-central Shenandoah County approximately ten (10) miles west of the Town of Front Royal, seventy-eight (78) miles west of Washington, D.C., eighteen (18) miles south of the City of Winchester, and fifteen (15) miles east of the Virginia/West Virginia border. The Town has two interstate exits along I-81 (exits 296 and 298), and is located about four (4) miles from the I-66 and I-81 interchange. US Route 11 and State Route 55/US Route 48 intersect in the center of Town. The Town covers 2,274 acres, or roughly three and half (3.5) square miles, and has a population estimated at six thousand six hundred and fifty-eight (6,658).

In 1921, the Town annexed an area of the County, bringing its land area to a total of 448 acres, where it remained until the annexation effective Tuesday, January 1st, 1985 that added an additional 578 acres, for a total of 1,026 acres. As of Saturday, January 1st, 2000, Strasburg annexed the land surrounding Route 11 to Interstate 81. On Wednesday, January 1st, 2014, the Town annexed its 366-acre industrial park, in addition to more acreage to the east of the properties fronting on the east side of Route 11. Strasburg continues to grow and flourish with its rich history and community pride. The Town of Strasburg will continue to promote itself as one of the growth centers for Shenandoah County, while simultaneously retaining its small-town charm and character.

Overview of the Town Government

The Town of Strasburg was chartered in 1761 and incorporated in 1922. It is well known for its pottery, antiques, American Civil War history, and breathtaking views of the surrounding natural environment. The Town is currently governed under a Council/Manager form of government. The Town Council, in its role as a legislative body, adopts all ordinances and resolutions, formulates and adopts general policies, adopts the budget, and sets tax rates.

The Town Council is comprised of eight (8) members, who are elected at large to serve four-year terms. Elections for four (4) Council seats are held every two (2) years. The Mayor, who serves a four (4) year term, presides over the Town Council, but votes only to break a tie. Elections for the Mayor and Town Council seats are conducted in May with the elected officials being seated on July 1st.

The Town Manager is appointed by the Town Council as the chief executive officer of the Town and is responsible to the Town Council and citizens for the proper administration of the Town government. Council also appoints the Treasurer, Clerk of Council, Town Attorney, and Chief of Police. Department head positions are hired and supervised by the Town Manager.



Budgetary Controls

The Town government exercises budgetary control over all spending, in order to ensure compliance with all legal provisions inherent in the appropriated budget approved by the Town Council. Additionally, Council and staff have collaboratively developed various fiscal policies which ensure compliance with the Virginia Public Procurement Act, safeguard fund balance amounts, limit the quantity of capital projects, etc. As demonstrated by the statements and schedules included in the financial section of the report, the Town government continues to meet its responsibilities for sound financial management.

Economic Outlook

The Town's economy remains generally stable, with slight increases in revenues. Downtown investment/improvements have resulted in marginally higher amounts for the given revenue streams relevant to that area. Additional investments in the Northern Shenandoah Business Park have shown promising increases to personal property tax revenue. Continuing to focus on economic development efforts in the Downtown area, Business Park, and Route 11 Corridor will bolster these trends.

The Town's General Fund revenues continue to remain stable due to proper fiscal spending in years past. Barring outside influences that might compromise the Town's fiscal condition, which are being monitored if possible, the General Fund is well positioned to handle future growth in the Town. The Town's Enterprise Funds have been steadily climbing towards fiscal stability as we complete the final year of Council's pre-determined water and sewer rate increases. Staff is proposing a rate study in the current fiscal year, in order to determine what additional adjustments, need to be made in order to ensure fiscal stability at the lowest possible cost to consumers.

Major Initiatives in FY 18/19

The Town continued implementation of Strategic Planning activities and the completion of existing grant programs in FY 18/19.

- *Community Development Block Grant (CDBG)* – Final completion of this project was achieved at the tail end of FY 18/19. The completion of an impactful Façade Improvement Program in the Downtown, paired with the Public Improvements of the Event Pavilion at Strasburg Square has had a noticeable impact on the vibrancy of Downtown Strasburg.
- *Northern Shenandoah Business Park Phase 1 Improvements* – Design work continues on the Borden Mowery Drive extension, and water and sewer main line extension projects in the Northern Shenandoah Business Park. The Town received



and continues to comply with a Revenue Sharing Grant Program to bear half the costs of the Borden Mowery Drive extension project.

- Streetscape Improvements Phase II – Throughout the entirety of this fiscal year, the Phase II Streetscape improvement project remain stalled due to compliance reviews with the Virginia Department of Transportation.
- Gateway Trail Project – Throughout the entirety of this fiscal year, the Gateway Trail Project remain stalled due to compliance reviews with the Virginia Department of Transportation.

Acknowledgements

The Town of Strasburg continues to operate with the intent and achievement of a stable financial position through effective management of financial controls and operations paired with sound accounting and reporting practices. Gratitude is expressed to the Mayor and Town Council, who continue to show support for programs and practices as well as the management of Town finances, and their exceptional financial stewardship.

Special thanks to the Town's Finance Department for their assistance in the preparation of this report.

A handwritten signature in blue ink, appearing to read "Wyatt Pearson".

Wyatt Pearson, Town Manager

A handwritten signature in blue ink, appearing to read "Angela Fletcher".

Angela Fletcher, Director of Finance

Citizens of Strasburg

Town Council

Town Manager

Nathan Miller
Town Attorney

Jay McKinley
Director of Public Works

Lee Pambid
Planning and Zoning

Angela Fletcher
Finance Director/Treasurer

Michelle Bixler
Community Development Director

Amy Keller
Town Clerk/Human Resources

Wayne Sager
Chief of Police

Police Administration

Chris Ritenour
WTP Superintendent

Gabe Ritenour
WWTP Superintendent

Ray Heishman
Public Works Superintendent

Assistant Superintendent

Inspection and Meters
One Foreman
Three Crew Members

Utility Crew
One Foreman
Three Crew Members

Street Crew
One Foreman
Four Crew Members

Maintenance
Two Members

Grounds Crew
Two Full-time
Two Part-time

Emily Ritenour
Tax Clerk

Debbie Miller
Utility Clerk

Dee Sherman
Senior Office Clerk

Delaina Stroop
Office Clerk

Olivia Hilton
Community Development Coordinator

Parks and Recreation
Pool/Park Seasonal Employees and Visitors Center Employees

Visitor Center
Three part-time tourism info specialists

Lonnie Conner
Lieutenant

A Shift
Five Officers

B Shift
Five Officers

Jason Ford
Captain

Criminal and Forensic Investigations, Drug Task Force

Part-Time Officers Pool
Proposed increase to assist with Ordinance and Zoning Enforcement

TOWN OF STRASBURG, VIRGINIA

OFFICIALS

Rich Orndorff, Jr., Mayor
Wyatt Pearson, Town Manager
Angela Fletcher, Director of Finance

TOWN COUNCIL

Barbara Plitt
Ken Cherrix
S. John Massoud
Taralyn Nicholson

Emily Reynolds
Kim Bishop
Jocelyn Vena
Scott E. Terndrup

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

**To the Honorable Members of the Town Council
Town of Strasburg, 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 Strasburg, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principles

As described in Note 2 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

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 9-19, 79, and 80-91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2019, on our consideration of the Town of Strasburg, 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 Strasburg, 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 Strasburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers an overview and analysis of the financial activities of the Town of Strasburg for the fiscal year ended June 30, 2019. The information presented here should be considered in conjunction with additional information provided in the Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

The assets of the Town exceeded its liabilities at June 30, 2019 by \$35,439,244 which equals the total net position of the Town. Of this amount, \$7,609,524 is unrestricted and may be used to meet the Town's future obligations. Of the \$7,609,524 unrestricted net position, approximately \$2,969,903 is related to governmental activities and is undesignated and available for future General Fund expenditures. The \$4,639,621 remaining balance of unrestricted net position is related to business-type activities, which includes the Town's enterprise fund.

The Town's total long-term debt decreased by \$1,397,488 from \$30,323,273 as of June 30, 2018 to \$28,925,785 as of June 30, 2019. The decrease was due to paying off debt and completing capital projects.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds.

The Town's governmental funds reported revenues and other financing sources in deficiency of expenditures in the amount of \$17,047 for the fiscal year; with an ending fund equity balance of \$3,124,063 of that amount \$74,737 is restricted for proffers, \$58,380 is restricted for asset forfeiture for the Police Department.

The Town's proprietary funds reported a change in the net position of \$62,848 due to availability fees. These funds will be used to offset expenses for future capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis serves as an introduction to the Town's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

The Town's financial statements present two kinds of statements, each with a different view of the Town's finances. The government-wide financial statements provide both long and short-term information about the Town's overall financial status. The fund financial statements focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data. The statements and notes are followed by required supplementary information that contains more detailed data.

Government-wide Financial Statements

The government-wide financial statements report information about the Town uses accounting methods similar to those used by private-sector businesses. In addition, they report the Town's net position and how they have changed during the fiscal year.

The Statement of Net Position and the Statement of Activities report the Town's net position and changes in assets. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial position.

Governmental activities – Most of the Town's basic services are reported here; general government, police, public works, and recreation. Property taxes, and other taxes, finance most of these activities.

Business-type activities – The financial activity of the water, sewer and trash are reported here. The Town charges a fee to customers to help cover all or most of the cost of services provided by these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for purposes. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to report most of the Town's basic services. The funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that is available for spending. The governmental funds financial statements provide a detailed short-term view that shows 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 additional long-term focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and consequently, the largest of the governmental funds. All other governmental funds, which include special revenue funds, debt service funds, and capital project funds, are collectively referred to as non-major governmental funds.

Proprietary Funds

Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The Town maintains three proprietary funds. The Town uses enterprise funds to account for its water, sewer and trash.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's total assets, liabilities and net position on a government-wide basis are summarized below:

**Summary of Statement of Net Position
as of June 30, 2019
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,968	\$ 4,991	\$ 5,660	\$ 5,856	\$ 10,628	\$ 10,847
Capital assets	8,036	7,318	47,560	48,521	55,596	55,839
Total Assets	\$ 13,004	\$ 12,309	\$ 53,220	\$ 54,377	\$ 66,224	\$ 66,686
Deferred outflows of resources	\$ 192	\$ 264	\$ 170	\$ 229	\$ 362	\$ 493
Long-term debt outstanding	\$ 1,049	\$ 930	\$ 27,876	\$ 27,774	\$ 28,925	\$ 28,704
Other liabilities	814	1,115	326	1,656	1,140	2,771
Total Liabilities	\$ 1,863	\$ 2,045	\$ 28,202	\$ 29,430	\$ 30,065	\$ 31,475
Deferred inflows of resources	\$ 968	\$ 1,028	\$ 114	\$ 165	\$ 1,082	\$ 1,193
Net Position						
Net investment in capital assets	\$ 7,262	\$ 6,370	\$ 20,182	\$ 19,953	\$ 27,444	\$ 26,323
Restricted asset forfeitures	58	50	-	-	58	50
Restricted for other purposes	75	71	252	246	327	317
Unrestricted	2,970	3,009	4,640	4,812	7,610	7,821
Total net position	\$ 10,365	\$ 9,500	\$ 25,074	\$ 25,011	\$ 35,439	\$ 34,511

The Town's combined net position increased from \$34,511,565 at June 30, 2018 to \$35,439,244 at June 30, 2019 primarily due to an increase in capital assets in business type activities. The majority (70 percent) of the Town's net position of governmental activities is invested in capital assets (streets, drainage, constructions in progress, buildings, equipment, etc.) The capital assets are not available for future expenditures since they will not be sold. The Town has a strong financial position with 29 percent of net position in governmental activities unrestricted and available for providing services to the citizens of the Town of Strasburg.

The net position of the Town's business-type activities is \$25,074,160. The majority (80 percent) of the net position in the business-type activities is invested in capital assets. The Town uses the unrestricted net position to upgrade water and sewer lines, maintain the water treatment plant and wastewater treatment plant.

In summary, the Town of Strasburg's assets and deferred outflows of resources exceeded liabilities by \$35,439,244 at the close of the most recent fiscal year.

Statement of Activities

The Town's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues						
Charges for services	\$ 105,443	\$ 109,187	\$ 4,920,022	\$ 4,843,308	\$ 5,025,465	\$ 4,952,495
Operating grants and contributions	424,397	1,325,870	-	-	424,397	1,325,870
Capital grants and contributions	79,979	398,529	279,450	595,703	359,429	994,232
General revenues						
Property taxes	1,795,837	1,774,648	-	-	1,795,837	1,774,648
Other taxes and fees	2,164,887	2,106,870	-	-	2,164,887	2,106,870
Grants and contributions not restricted to specific programs	157,961	159,829	-	-	157,961	159,829
Revenue from use of money and property	108,463	108,020	172,097	45,946	280,560	153,966
Loss on disposal of asset	-	-	-	(41,923)	-	(41,923)
Other	90,000	3,749	19,042	13,461	109,042	17,210
Total revenues	\$ 4,926,967	\$ 5,986,702	\$ 5,390,611	\$ 5,456,495	\$ 10,317,578	\$ 11,443,197
EXPENSES						
General government administration	\$ 641,716	\$ 823,092	\$ -	\$ -	\$ 641,716	\$ 823,092
Public safety	1,807,172	1,722,076	-	-	1,807,172	1,722,076
Public works	1,144,775	2,136,644	-	-	1,144,775	2,136,644
Health and welfare	11,721	10,569	-	-	11,721	10,569
Community development	171,641	139,839	-	-	171,641	139,839
Parks and recreation	181,478	166,666	-	-	181,478	166,666
Interest on long-term debt	20,347	27,573	-	-	20,347	27,573
Public utilities	-	-	5,411,049	5,230,224	5,411,049	5,230,224
Total expenses	\$ 3,978,850	\$ 5,026,459	\$ 5,411,049	\$ 5,230,224	\$ 9,389,899	\$ 10,256,683
Change in net position before transfers	\$ 948,117	\$ 960,243	\$ (20,438)	\$ 226,271	\$ 927,679	\$ 1,186,514
Transfers	(83,286)	(40,647)	83,286	40,647	-	-
Change in net position	\$ 864,831	\$ 919,596	\$ 62,848	\$ 266,918	\$ 927,679	\$ 1,186,514
Net position, beginning	9,500,253	8,580,657	25,011,312	24,744,394	34,511,565	33,325,051
Net position, ending	\$ 10,365,084	\$ 9,500,253	\$ 25,074,160	\$ 25,011,312	\$ 35,439,244	\$ 34,511,565

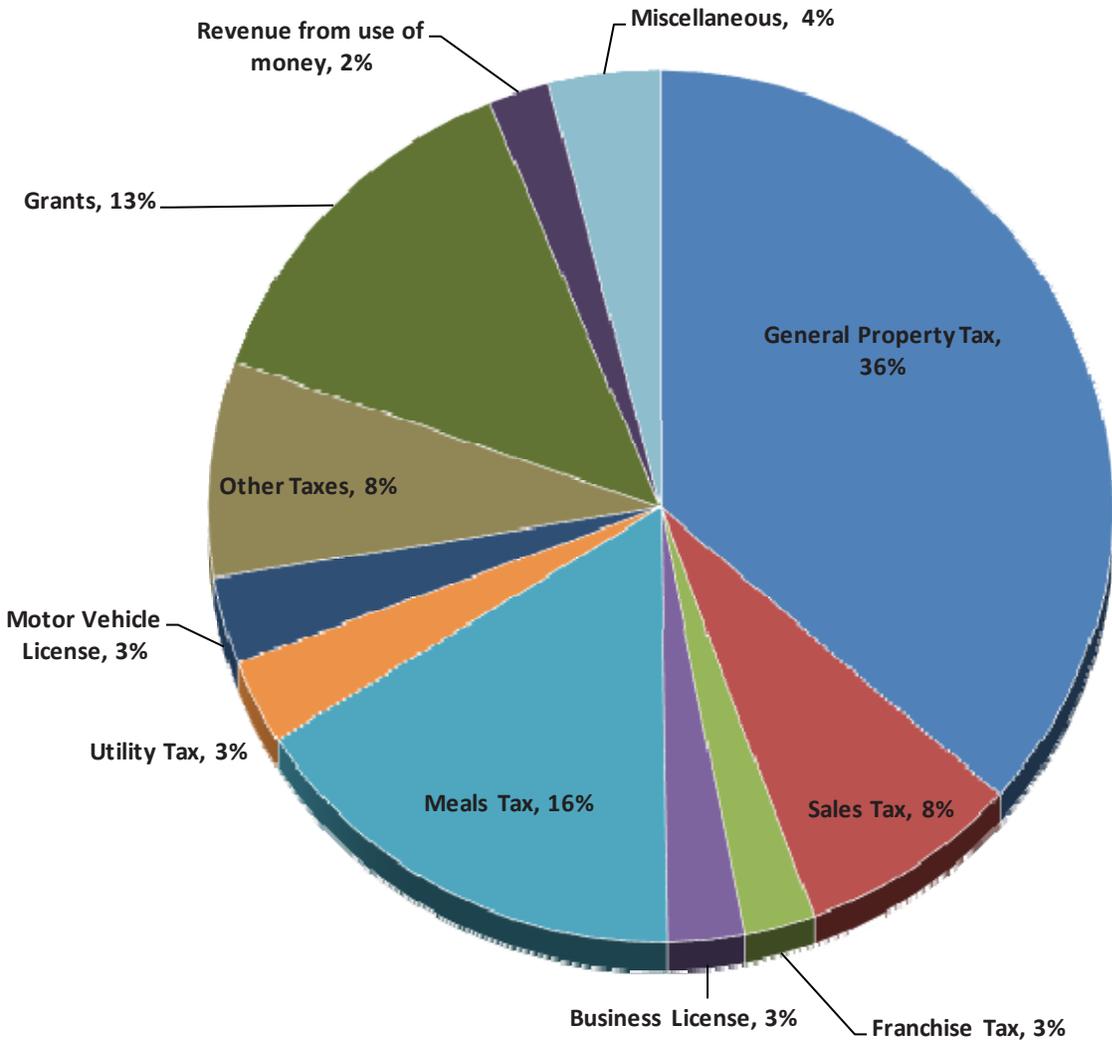
Governmental Activities

Revenues

Revenues from governmental activities totaled \$4,926,967 general property taxes and other taxes are the largest component of revenue (80 percent). General property tax revenues were \$1,795,837, a decrease of 1.2 percent. The Town received reimbursement of \$138,898 from the Commonwealth of Virginia for taxes on individual automobiles.

Other local taxes and fees including revenue from local sales, franchise tax, business licenses, and meals taxes were \$2,164,887 an increase of 2.8 percent from June 30, 2018.

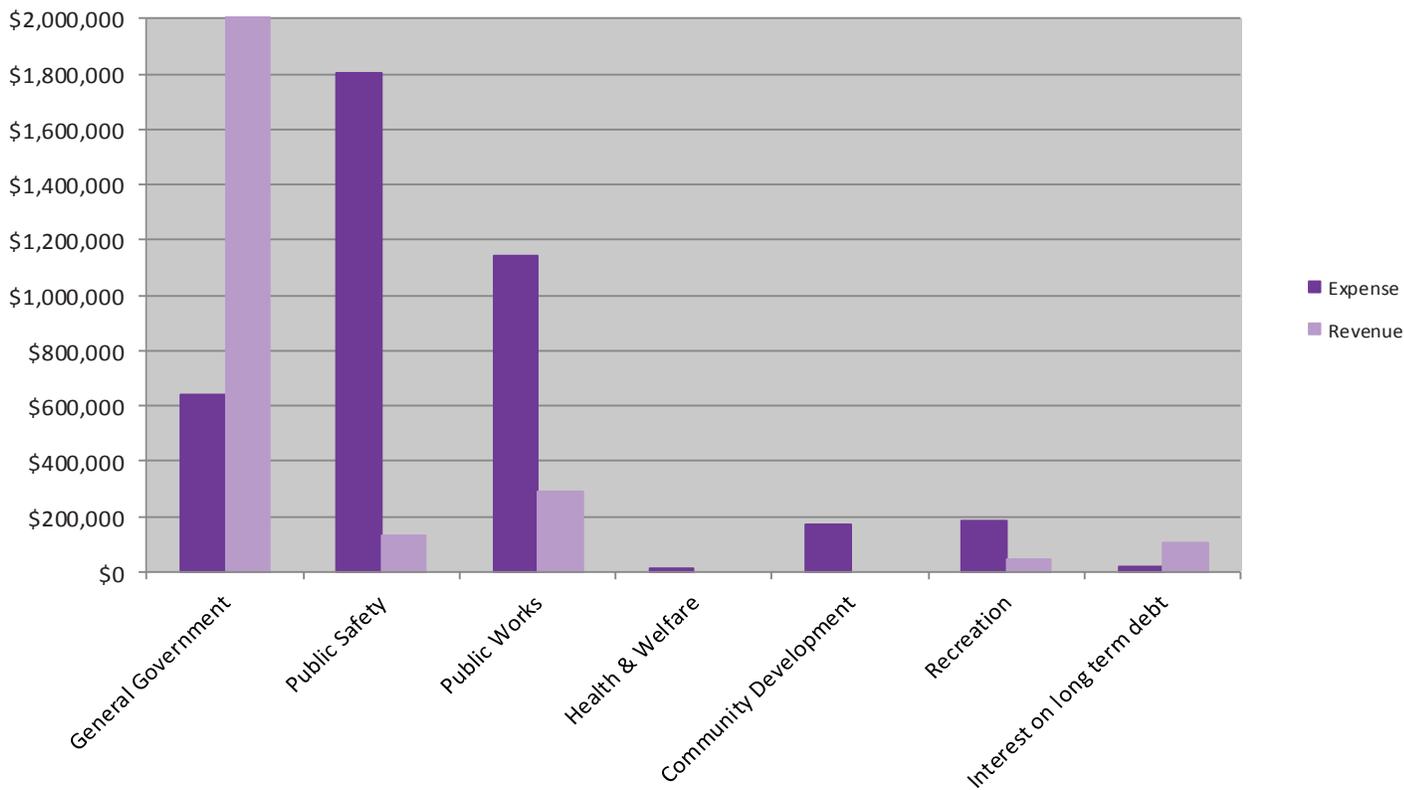
Revenue by Source-Governmental Activities



Expenses

Expenses for governmental activities totaled \$3,978,850 which was a decrease of \$1,047,609 from the prior fiscal year. This decrease is due to the completion of the Events Pavilion at Strasburg Square. The Public Safety and Public Works departments account for 74 percent of the total expenses for governmental activities.

Program Expenses and Program Revenues – Governmental Activities



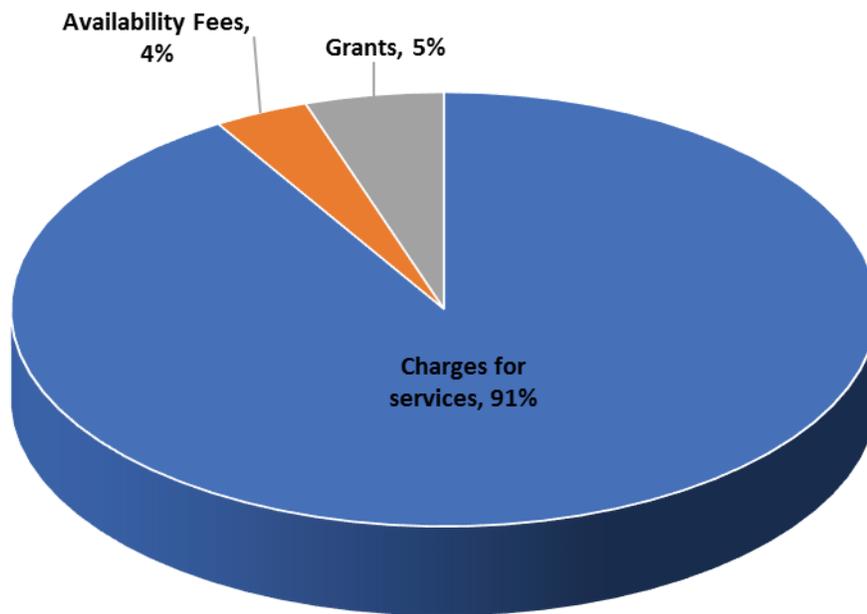
Business-type Activities

The Town's business-type activities are comprised of enterprise funds for water, sewer, and trash. For the Town of Strasburg's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$25,074,160. The total increase in net position for business-type activities (water, sewer & trash funds) was \$62,848 or 0.25% from the prior fiscal year. The growth, in large part, is attributable to availability fees.

Revenues

Revenue for all business-type activities totaled \$5,473,897, which is a 1.2% percent decrease over 2018. The decrease is due to receiving less grant funds than in the previous year.

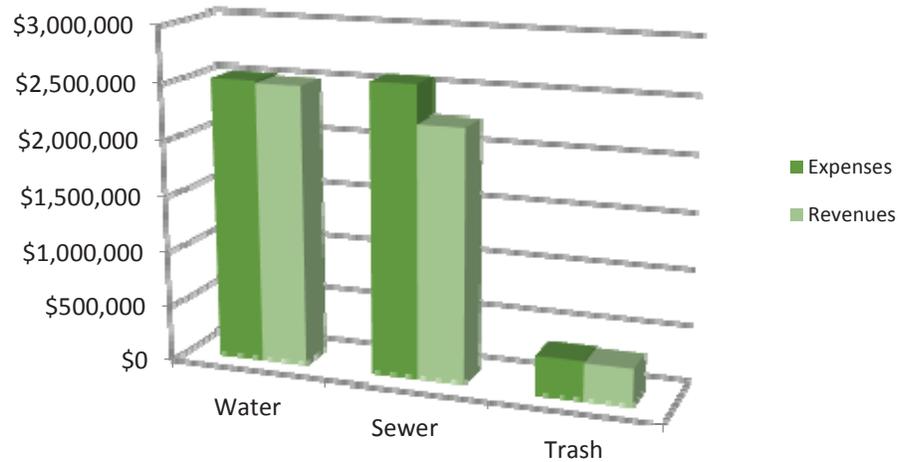
Revenues by Source - Business-type Activities



Expenses:

Expenses totaled \$5,411,049 which was an increase of \$180,825 or 3.5% over 2018. The increase is attributable to operating costs as well as a capital improvement project.

Expenses and Program Revenues – Business-type Activities



The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

FUND FINANCIAL ANALYSIS

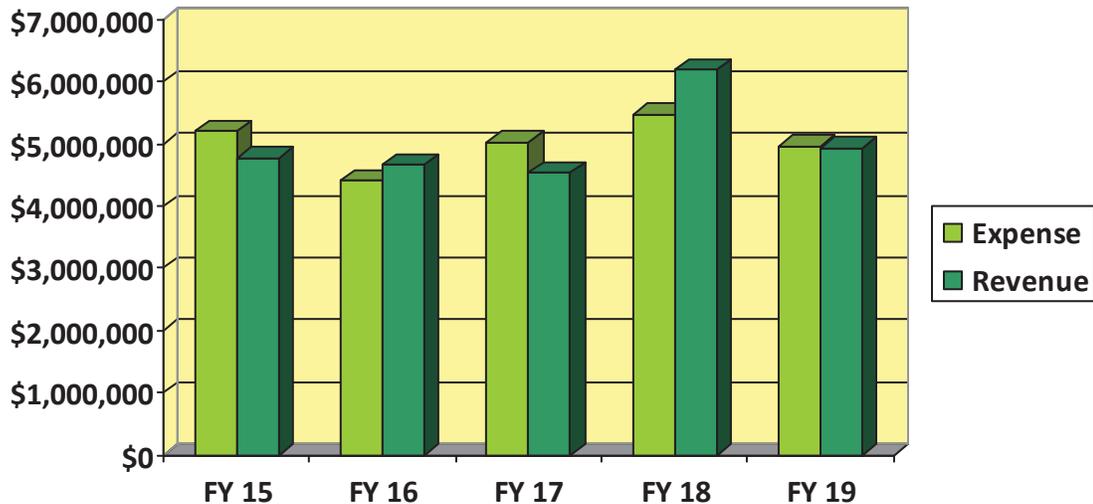
Governmental Funds

Governmental Funds include the General Fund of which the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The chief operating fund of the Town is the General Fund. At the end of 2019, the unassigned fund balance was \$1,717,615 which reflects a decrease of \$395,450 over 2018. The graph below shows General Fund summary financial information for the past five years.

Five Year General Fund Financial Summary



General Fund Budgetary Highlights

Actual expenditures exceeded revenues by \$39,365 in the General Fund, 2019 actual revenues were \$1,250,295 less than fiscal year 2018 revenues. The main reason for the decrease is the town received less federal and state funds than in 2018.

Actual expenditures were approximately \$503,295 less than 2018 expenditures. The decrease was due to completion of some Capital Projects.

Proprietary Funds

The Town's proprietary funds are comprised of water, sewer and trash. The Town accounts for these three proprietary accounts as enterprise funds.

Water Fund

The Water Fund ended 2019 with unrestricted net position of \$2,986,285 which can be used for future fund expenses.

Sewer Fund

The Sewer Fund ended 2019 with unrestricted net position of \$1,611,144 which can be used for future fund expenses.

Trash Fund

Revenue in the Trash Fund in 2019 was supplemented from the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

2019 primary government investment in capital assets for its governmental and business-type activities was \$55,596,412 net of depreciation (see chart below).

Capital Assets (net of depreciation in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 639	\$ 639	\$ 405	\$ 405	\$ 1,044	\$ 1,044
Buildings and improvements	2,813	1,644	22	27	2,835	1,671
Infrastructure	3,742	3,858	46,435	47,318	50,177	51,176
Furniture, equipment & vehicles	593	454	638	445	1,231	899
Construction in Progress	249	724	60	326	309	1,050
Total	<u>\$ 8,036</u>	<u>\$ 7,318</u>	<u>\$ 47,560</u>	<u>\$ 48,521</u>	<u>\$ 55,596</u>	<u>\$ 55,839</u>

Total Capital Assets at June 30, 2019 were \$55,596,412 compared to \$55,839,166 million at June 30, 2018, resulting in a decrease of approximately \$242,754 in the total Capital Assets. Much of this decrease is due to depreciation.

Water and sewer lines account for most of the capital assets in the Business-type activity, with streets and roadways in the Government-type activity.

Additional information on the Town's capital assets may be found in the notes to financial statements, Note 8 – Capital Assets.

Long-term Debt

The Town's total outstanding debt at the end of 2019 was \$28,925,785 with \$27,876,332 in business-type activities and \$1,049,453 in governmental activities. Capital leases and vacation pay are included in outstanding debt.

**Town of Strasburg Outstanding Debt
General Obligation and Revenue Bonds
June 30, 2019
(In thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 594	\$ 753	\$ 27,354	\$ 28,550	\$ 27,948	\$ 29,303
Unamortized bond premium	39	48	156	177	195	225
Capital Lease	141	104	120	87	261	191
Compensated Absences	118	117	106	100	224	217
Net Pension Liability	33	77	29	68	62	145
Net OPEB Liability	124	129	111	113	235	242
Total	<u>\$ 1,049</u>	<u>\$ 1,228</u>	<u>\$ 27,876</u>	<u>\$ 29,095</u>	<u>\$ 28,925</u>	<u>\$ 30,323</u>

Additional information on the Town's long-term obligations can be found in the notes to the financial statements, Note 9-Long Term Obligations.

ECONOMIC FACTORS

Growth in the Town is beginning to pick up. Two development applications are continuing to progress towards approval and construction, that will total 400+ new residential units, and 30+ acres of new commercial property.

The Town has completed the Events Pavilion at Strasburg Square, and when coupled with the Façade Improvement Program, there has been a noticeable increase in both private investment, and business activity in the Downtown area. Future capital projects are; Phase II & III of the Streetscape, the Gateway Trail, and the extension of Borden Mowery Drive, all of which are scheduled to either begin or be completed in the next fiscal year.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Town's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance or Town Manager, Town of Strasburg, PO Box 351, Strasburg, VA 22657.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Strasburg, Virginia
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,641,284	\$ 4,033,267	\$ 7,674,551
Receivables			
Taxes, net of allowance of \$29,917	977,554	-	977,554
Accounts, net of allowance of \$29,574	116,143	687,868	804,011
Due from other governmental units	83,812	-	83,812
Inventory	15,831	570,552	586,383
Restricted assets:			
Cash and cash equivalents	133,116	368,293	501,409
Capital assets:			
Nondepreciable:			
Land	\$ 639,469	\$ 404,837	\$ 1,044,306
Construction in progress	248,500	60,010	308,510
Depreciable, net of accumulated depreciation:			
Furniture, equipment, and vehicles	592,613	637,768	1,230,381
Buildings and improvements	2,813,374	22,340	2,835,714
Infrastructure	3,742,374	46,435,127	50,177,501
Total capital assets, net	\$ 8,036,330	\$ 47,560,082	\$ 55,596,412
Total assets	\$ 13,004,070	\$ 53,220,062	\$ 66,224,132
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 172,221	\$ 152,537	\$ 324,758
OPEB related items	19,462	17,720	37,182
Total deferred outflows of resources	\$ 191,683	\$ 170,257	\$ 361,940
LIABILITIES			
Accounts payable	\$ 188,999	\$ 138,647	\$ 327,646
Other liabilities	61,951	32,843	94,794
Customer deposits	-	114,611	114,611
Accrued interest payable	5,557	40,213	45,770
Unearned revenue-other	556,586	-	556,586
Noncurrent liabilities:			
Due within one year	200,404	1,203,042	1,403,446
Due in more than one year	849,049	26,673,290	27,522,339
Total liabilities	\$ 1,862,546	\$ 28,202,646	\$ 30,065,192
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 851,832	\$ -	\$ 851,832
Pension related items	98,321	97,483	195,804
OPEB related items	17,970	16,030	34,000
Total deferred inflows of resources	\$ 968,123	\$ 113,513	\$ 1,081,636
NET POSITION			
Net investment in capital assets	\$ 7,262,064	\$ 20,182,125	\$ 27,444,189
Restricted for debt service	-	252,414	252,414
Restricted asset forfeitures	58,380	-	58,380
Restricted for proffers	74,737	-	74,737
Unrestricted	2,969,903	4,639,621	7,609,524
Total net position	\$ 10,365,084	\$ 25,074,160	\$ 35,439,244

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 641,716	\$ 57,085	\$ -	\$ 79,979	\$ (504,652)	\$ -	\$ (504,652)
Public safety	1,807,172	-	133,107	-	(1,674,065)	-	(1,674,065)
Public works	1,144,775	-	291,290	-	(853,485)	-	(853,485)
Health and welfare	11,721	-	-	-	(11,721)	-	(11,721)
Community development	171,641	-	-	-	(171,641)	-	(171,641)
Parks, recreation and cultural	181,478	48,358	-	-	(133,120)	-	(133,120)
Interest on long-term debt	20,347	-	-	-	(20,347)	-	(20,347)
Total governmental activities	\$ 3,978,850	\$ 105,443	\$ 424,397	\$ 79,979	\$ (3,369,031)	\$ -	\$ (3,369,031)
Business-type activities:							
Water Fund	\$ 2,512,248	\$ 2,329,302	\$ -	\$ 161,151	\$ -	\$ (21,795)	\$ (21,795)
Sewer Fund	2,572,113	2,280,585	-	118,299	-	(173,229)	(173,229)
Trash Fund	326,688	310,135	-	-	-	(16,553)	(16,553)
Total business-type activities	\$ 5,411,049	\$ 4,920,022	\$ -	\$ 279,450	\$ -	\$ (211,577)	\$ (211,577)
Total primary government	\$ 9,389,899	\$ 5,025,465	\$ 424,397	\$ 359,429	\$ (3,369,031)	\$ (211,577)	\$ (3,580,608)
General revenues:							
General property taxes					\$ 1,795,837	\$ -	\$ 1,795,837
Other local taxes:							
Local sales tax					394,025	-	394,025
Franchise taxes					123,756	-	123,756
Business licenses					137,475	-	137,475
Meals tax					803,566	-	803,566
Utility tax					155,648	-	155,648
Motor vehicle licenses					158,497	-	158,497
Other taxes					391,920	-	391,920
Grants and contributions not restricted to specific programs					157,961	-	157,961
Revenue from the use of money and property					108,463	172,097	280,560
Miscellaneous					90,000	19,042	109,042
Transfers					(83,286)	83,286	-
Total general revenues and transfers					\$ 4,233,862	\$ 274,425	\$ 4,508,287
Change in net position					\$ 864,831	\$ 62,848	\$ 927,679
Net position - beginning					9,500,253	25,011,312	34,511,565
Net position - ending					\$ 10,365,084	\$ 25,074,160	\$ 35,439,244

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

FUND FINANCIAL STATEMENTS

Town of Strasburg, Virginia
Balance Sheet
Governmental Fund
June 30, 2019

Exhibit 3

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 3,641,284
Receivables:	
Taxes, net of allowance of \$29,917	977,554
Accounts	116,143
Due from other governmental units	83,812
Inventory	15,831
Total current assets	<u>\$ 4,834,624</u>
Restricted assets:	
Cash and cash equivalents	<u>\$ 133,116</u>
Total assets	<u><u>\$ 4,967,740</u></u>
LIABILITIES	
Accounts payable	\$ 188,999
Other liabilities	61,951
Unearned revenue - other	556,586
Total liabilities	<u>\$ 807,536</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 1,036,141
Total deferred inflows of resources	<u>\$ 1,036,141</u>
FUND BALANCES	
Nonspendable	
Inventory	\$ 15,831
Restricted:	
Proffers	74,737
Assets forfeitures	58,380
Committed:	
Construction	1,257,500
Unassigned	
Total fund balances	<u>1,717,615</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,124,063</u></u>
	<u><u>\$ 4,967,740</u></u>

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

Town of Strasburg, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2019

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	3,124,063
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	639,469	
Construction in progress		248,500	
Buildings and improvements		2,813,374	
Furniture, fixtures and equipment		592,613	
Infrastructure		<u>3,742,374</u>	8,036,330

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.

Unavailable revenue - property taxes			184,309
--------------------------------------	--	--	---------

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	172,221	
OPEB related items		<u>19,462</u>	191,683

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(118,166)	
General obligation bonds, net of original issue premium		(633,664)	
Capital leases		(140,602)	
Accrued interest payable		(5,557)	
Net pension liability		(32,811)	
Net OPEB liabilities		<u>(124,210)</u>	(1,055,010)

Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.

Pension related items	\$	(98,321)	
OPEB related items		<u>(17,970)</u>	<u>(116,291)</u>

Net position of governmental activities			\$ <u><u>10,365,084</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Strasburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2019

Exhibit 5

	<u>General</u>
REVENUES	
General property taxes	\$ 1,797,419
Other local taxes	2,164,887
Permits, privilege fees, and regulatory licenses	24,803
Fines and forfeitures	32,282
Miscellaneous	90,000
Revenue from the use of money and property	108,463
Charges for services	48,358
Intergovernmental:	
Commonwealth	577,129
Federal	85,208
Total revenues	<u>\$ 4,928,549</u>
EXPENDITURES	
Current:	
General government administration	\$ 591,782
Public safety	1,782,529
Public works	1,079,742
Health and welfare	11,721
Parks, recreation, and cultural	177,662
Community development	173,773
Capital projects:	
Administrative	698,684
Public safety	64,970
Public works	57,297
Community development	71,490
Debt service:	
Principal	227,225
Interest	31,039
Total expenditures	<u>\$ 4,967,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (39,365)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (83,286)
Issuance of capital leases	<u>\$ 105,604</u>
Total other financing sources (uses)	<u>\$ 22,318</u>
Net change in fund balance	\$ (17,047)
Fund balance, beginning of year	3,141,110
Fund balance, end of year	<u><u>\$ 3,124,063</u></u>

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

**Town of Strasburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2019**

Exhibit 6

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

Net change in fund balances - total governmental funds	\$	(17,047)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,071,264	
Depreciation expense	<u>(353,321)</u>	717,943

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.

Property taxes		(1,582)
----------------	--	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuances of capital leases	(105,604)	
Amortization of premium on bond issue	9,367	
Principal repayments	<u>227,225</u>	130,988

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in accrued interest	1,325	
Change in compensated absences	(1,226)	
Pension expense	24,827	
OPEB expense	<u>9,603</u>	<u>34,529</u>

Change in net position of governmental activities	\$	<u><u>864,831</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Strasburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2019

Exhibit 7

	Water Fund	Sewer Fund	Trash Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,671,204	\$ 1,362,063	\$ -	\$ 4,033,267
Receivables:				
Accounts, net of allowance for uncollectible accounts \$29,574	322,459	323,217	42,192	687,868
Inventory	324,954	245,598	-	570,552
Total current assets	<u>\$ 3,318,617</u>	<u>\$ 1,930,878</u>	<u>\$ 42,192</u>	<u>\$ 5,291,687</u>
Restricted assets:				
Cash and cash equivalents	\$ 242,086	\$ 126,207	\$ -	\$ 368,293
Total restricted assets	<u>\$ 242,086</u>	<u>\$ 126,207</u>	<u>\$ -</u>	<u>\$ 368,293</u>
Capital assets, net of accumulated depreciation	\$ 17,518,683	\$ 30,041,399	\$ -	\$ 47,560,082
Total assets	<u>\$ 21,079,386</u>	<u>\$ 32,098,484</u>	<u>\$ 42,192</u>	<u>\$ 53,220,062</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 82,006	\$ 70,531	\$ -	\$ 152,537
OPEB related items	9,373	8,347	-	17,720
Total deferred outflows of resources	<u>\$ 91,379</u>	<u>\$ 78,878</u>	<u>\$ -</u>	<u>\$ 170,257</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 63,187	\$ 75,460	\$ -	\$ 138,647
Accrued wages	17,143	15,700	-	32,843
General obligation bonds payable current portion	285,346	811,376	-	1,096,722
Capital leases current portion	21,389	21,388	-	42,777
Compensated absences current portion	32,095	31,448	-	63,543
Customer deposits	114,611	-	-	114,611
Accrued interest payable	29,099	11,114	-	40,213
Total current liabilities	<u>\$ 562,870</u>	<u>\$ 966,486</u>	<u>\$ -</u>	<u>\$ 1,529,356</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	\$ 21,396	\$ 20,966	\$ -	\$ 42,362
General obligation bonds payable, net of current portion	10,933,909	15,479,654	-	26,413,563
Capital leases, net of current portion	38,654	38,655	-	77,309
Net pension liability	15,716	13,550	-	29,266
Net OPEB liabilities	59,494	51,296	-	110,790
Total noncurrent liabilities	<u>\$ 11,069,169</u>	<u>\$ 15,604,121</u>	<u>\$ -</u>	<u>\$ 26,673,290</u>
Total liabilities	<u>\$ 11,632,039</u>	<u>\$ 16,570,607</u>	<u>\$ -</u>	<u>\$ 28,202,646</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 52,034	\$ 45,449	\$ -	\$ 97,483
OPEB related items	8,608	7,422	-	16,030
Total deferred inflows of resources	<u>\$ 60,642</u>	<u>\$ 52,871</u>	<u>\$ -</u>	<u>\$ 113,513</u>
NET POSITION				
Net investment in capital assets	\$ 6,365,592	\$ 13,816,533	\$ -	\$ 20,182,125
Restricted for debt service	126,207	126,207	-	252,414
Unrestricted	2,986,285	1,611,144	42,192	4,639,621
Total net position	<u>\$ 9,478,084</u>	<u>\$ 15,553,884</u>	<u>\$ 42,192</u>	<u>\$ 25,074,160</u>

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

Town of Strasburg, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Sale of water	\$ 2,244,742	\$ -	\$ -	\$ 2,244,742
Sewer service charges	-	2,271,285	-	2,271,285
Trash collection fees	-	-	310,135	310,135
Late payment charges	84,560	9,300	-	93,860
Miscellaneous	17,451	1,591	-	19,042
Total operating revenues	<u>\$ 2,346,753</u>	<u>\$ 2,282,176</u>	<u>\$ 310,135</u>	<u>\$ 4,939,064</u>
OPERATING EXPENSES				
Water treatment facilities, transmission and distribution	\$ 639,625	\$ -	\$ -	\$ 639,625
Personnel	1,045,062	977,627	-	2,022,689
Operation and maintenance	-	807,737	-	807,737
Trash collection	-	-	326,688	326,688
Depreciation	516,115	749,780	-	1,265,895
Total operating expenses	<u>\$ 2,200,802</u>	<u>\$ 2,535,144</u>	<u>\$ 326,688</u>	<u>\$ 5,062,634</u>
Net operating income (loss)	<u>\$ 145,951</u>	<u>\$ (252,968)</u>	<u>\$ (16,553)</u>	<u>\$ (123,570)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 87,747	\$ 84,350	\$ -	\$ 172,097
Interest expense	(299,455)	(36,969)	-	(336,424)
Loss of disposal of assets	(11,991)	-	-	(11,991)
Total nonoperating revenues (expenses)	<u>\$ (223,699)</u>	<u>\$ 47,381</u>	<u>\$ -</u>	<u>\$ (176,318)</u>
Income (loss) before contributions	<u>\$ (77,748)</u>	<u>\$ (205,587)</u>	<u>\$ (16,553)</u>	<u>\$ (299,888)</u>
Capital contributions and construction grants	<u>\$ 161,151</u>	<u>\$ 118,299</u>	<u>\$ -</u>	<u>\$ 279,450</u>
OPERATING TRANSFERS				
Transfers in	<u>\$ 32,782</u>	<u>\$ 32,782</u>	<u>\$ 17,722</u>	<u>\$ 83,286</u>
Change in net position	<u>\$ 116,185</u>	<u>\$ (54,506)</u>	<u>\$ 1,169</u>	<u>\$ 62,848</u>
Net position - beginning	9,361,899	15,608,390	41,023	25,011,312
Net position - ending	<u>\$ 9,478,084</u>	<u>\$ 15,553,884</u>	<u>\$ 42,192</u>	<u>\$ 25,074,160</u>

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

Town of Strasburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 9

	Water Fund	Sewer Fund	Trash Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,312,433	\$ 2,244,325	\$ 308,599	\$ 4,865,357
Payments to suppliers for goods and services	(645,163)	(908,751)	(326,688)	(1,880,602)
Payments to employees for services	(1,057,753)	(985,647)	-	(2,043,400)
Net cash provided by (used for) operating activities	<u>\$ 609,517</u>	<u>\$ 349,927</u>	<u>\$ (18,089)</u>	<u>\$ 941,355</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	\$ 32,782	\$ 32,782	\$ 17,722	\$ 83,286
Net cash provided by (used for) noncapital financing activities	<u>\$ 32,782</u>	<u>\$ 32,782</u>	<u>\$ 17,722</u>	<u>\$ 83,286</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset additions	\$ (167,726)	\$ (70,579)	\$ -	\$ (238,305)
Principal payments on bonds	(349,444)	(846,342)	-	(1,195,786)
Principal payments on lease obligations	(22,936)	(22,936)	-	(45,872)
Interest payments	(313,691)	(47,050)	-	(360,741)
Capital contributions from others	161,151	118,299	-	279,450
Net cash provided by (used for) capital and related financing activities	<u>\$ (692,646)</u>	<u>\$ (868,608)</u>	<u>\$ -</u>	<u>\$ (1,561,254)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 87,747	\$ 84,350	\$ -	\$ 172,097
Net cash provided by (used for) investing activities	<u>\$ 87,747</u>	<u>\$ 84,350</u>	<u>\$ -</u>	<u>\$ 172,097</u>
Net increase (decrease) in cash and cash equivalents	\$ 37,400	\$ (401,549)	\$ -	\$ (364,149)
Cash and cash equivalents (including restricted) - beginning	2,875,890	1,889,819	-	4,765,709
Cash and cash equivalents (including restricted) - ending	<u>\$ 2,913,290</u>	<u>\$ 1,488,270</u>	<u>\$ -</u>	<u>\$ 4,401,560</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 145,951	\$ (252,968)	\$ (16,553)	\$ (123,570)
Depreciation	516,115	749,780	-	1,265,895
(Increase) decrease in accounts receivable	(37,925)	(37,851)	(1,536)	(77,312)
(Increase) decrease in inventory	(15,536)	(75,765)	-	(91,301)
(Increase) decrease in deferred outflows of resources	32,011	27,311	-	59,322
Increase (decrease) in customer deposits	3,605	-	-	3,605
Increase (decrease) in accounts payable	9,998	(25,249)	-	(15,251)
Increase (decrease) in accrued wages	3,036	3,516	-	6,552
Increase (decrease) in compensated absences	1,304	4,691	-	5,995
Increase (decrease) in net pension liability	(20,797)	(17,735)	-	(38,532)
Increase (decrease) in net OPEB liabilities	(1,333)	(825)	-	(2,158)
Increase (decrease) in deferred inflows of resources	(26,912)	(24,978)	-	(51,890)
Net cash provided by (used for) operating activities	<u>\$ 609,517</u>	<u>\$ 349,927</u>	<u>\$ (18,089)</u>	<u>\$ 941,355</u>
Schedule of non-cash capital and related financing activities:				
Issuance of capital leases for purchases of machinery and equipment	\$ 39,442	\$ 39,442	\$ -	\$ 78,884

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2019

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Strasburg, Virginia, (the “Town”) was chartered as a Town in 1761. The Town is governed by a mayor and an eight-member Town Council, who are elected at large for staggered four-year terms.

A. Financial Reporting Entity

The Town of Strasburg, Virginia (the Town) is a municipal corporation governed by an elected mayor and eight-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units – There were no blended component units for the Town for the year ended June 30, 2019.

Discretely Presented Component Units – There were no discretely presented component units for the Town for the year ended June 30, 2019.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable or deferred inflows. Sales, which are collected by the state and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town. Utility taxes are collected by the utilities and remitted directly to 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 expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

The Water and Sewer Funds provide maintenance to the water and sewer lines and pump stations and derive the majority of their revenues through user charges and fees.

The Trash Fund provides trash collection and landfill disposal to the Town and derives the majority of its revenue through user charges.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

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

Investments

Money market investments and external investment pools are measured at amortized cost. All other investments are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations.

2. 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 portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans.) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2019 (CONTINUED)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

3. *Property Taxes*

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Shenandoah Commissioner of Revenue annually on property owned on January 1st and July 1st for real estate and January 1st for personal property. Town Council adopts tax rates in April of each year as a part of the budget process. Real and personal property taxes are levied as of January 1st and July 1st and are due on June 5th and December 5th of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 6th and June 6th. Unpaid real property taxes constitute a lien against the property. The Town bills and collects its own property taxes.

4. *Allowance for Uncollectible Accounts*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes amounted to approximately \$29,917 at June 30, 2019 and the allowance for uncollectible water, sewer and trash billings amounted to approximately \$29,574 at June 30, 2019.

5. *Inventory*

Inventory is valued at cost, using the *first in, first out* method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

6. *Use of Estimates*

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

7. *Capital Assets*

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

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

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

7. Capital Assets (continued)

Property, plant, and equipment and infrastructure of the Town, is depreciated using the straight line method over the following estimated useful lives:

Water plant	50 years
Sewer plant	30-50 years
Reservoir and storage	10-20 years
Lines and meters	10-50 years
Buildings and improvements	20 years
Maintenance building and equipment	30 years
Furniture, equipment and vehicles	5-50 years

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Pensions

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 Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and VLDP OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities columns in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

In the general fund, the Town strives to maintain an unassigned fund balance to be used to fund unanticipated emergencies of \$1.5 million or 30% of the total general fund operating expenditures.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

13. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

14. *Net Position*

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

15. *Net Position Flow Assumption*

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

16. *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 2 — ADOPTION OF ACCOUNTING PRINCIPLES AND CORRECTION OF AN ERROR:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in the notes to the financial statements. No restatement was required as a result of this implementation.

NOTE 3 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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 department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Council is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, except for the capital expense budget.
8. All budgetary data presented in the accompanying financial statements is the amended budget as of June 30.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2019, there were no funds in which expenditures exceeded appropriations.

C. Deficit Fund Equity

At June 30, 2019, none of the funds reported deficit fund equity.

NOTE 4 — DEPOSITS AND INVESTMENTS:

Deposits

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)

NOTE 4 — DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2019 were held by the Town or in the Town's name by the Town's custodial banks.

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2019 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<u>Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Virginia State Non-Arbitrage Pool	\$ 252,414
Total	\$ 252,414

The Town invests funds in low risk investments backed by U.S. government agencies.

Interest Rate Risk

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>
		<u>1 Year</u>
Virginia State Non-Arbitrage Pool	\$ 252,414	\$ 252,414
Total	\$ 252,414	\$ 252,414

External Investment Pool

The fair value of the positions in the external investment pool is the same as the value of the pool shares. The State Non-Arbitrage Pool is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 5 — RECEIVABLES:

Receivables as of year-end for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 1,007,471	\$ -	\$ -	\$ -	\$ 1,007,471
Accounts	116,143	335,925	337,449	44,068	833,585
Gross receivables	\$ 1,123,614	\$ 335,925	\$ 337,449	\$ 44,068	\$ 1,841,056
Less: allowance for uncollectibles	(29,917)	(13,466)	(14,232)	(1,876)	(59,491)
Net receivables	<u>\$ 1,093,697</u>	<u>\$ 322,459</u>	<u>\$ 323,217</u>	<u>\$ 42,192</u>	<u>\$ 1,781,565</u>

NOTE 6 — DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Primary Government Governmental Activities</u>
Commonwealth of Virginia:	
Communications tax	\$ 11,279
Auto rental tax	848
Sales tax	70,277
Total Commonwealth of Virginia	<u>\$ 82,404</u>
Federal Government:	
Ground transportation safety	\$ 1,408
Total Federal Government	<u>\$ 1,408</u>
Total	<u>\$ 83,812</u>

NOTE 7 — RESTRICTED ASSETS:

Restricted cash and cash equivalents consist of the following for June 30, 2019:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Enterprise Funds</u>				
Utility deposits	\$ -	\$ 115,879	\$ -	\$ 115,879
Reserved for debt service	-	126,207	126,207	252,414
Totals	<u>\$ -</u>	<u>\$ 242,086</u>	<u>\$ 126,207</u>	<u>\$ 368,293</u>
<u>Governmental Funds</u>				
Restricted for proffers	\$ 74,737	\$ -	\$ -	\$ 74,737
Restricted asset forfeitures	58,379	-	-	58,379
Totals	<u>\$ 133,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,116</u>

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 8 — CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2019.

Governmental Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 639,469	\$ -	\$ -	\$ 639,469
Construction in progress	723,837	776,784	(1,252,121)	248,500
Total capital assets not being depreciated	\$ 1,363,306	\$ 776,784	\$ (1,252,121)	\$ 887,969
Other capital assets:				
Buildings and improvements	\$ 2,804,519	\$ 1,259,771	\$ -	\$ 4,064,290
Furniture, equipment and vehicles	2,870,633	286,830	-	3,157,463
Infrastructure	5,618,056	-	-	5,618,056
Total other capital assets	\$ 11,293,208	\$ 1,546,601	\$ -	\$ 12,839,809
Accumulated depreciation:				
Buildings and improvements	\$ (1,160,824)	\$ (90,092)	\$ -	\$ (1,250,916)
Furniture, equipment and vehicles	(2,417,036)	(147,814)	-	(2,564,850)
Infrastructure	(1,760,267)	(115,415)	-	(1,875,682)
Total accumulated depreciation	\$ (5,338,127)	\$ (353,321)	\$ -	\$ (5,691,448)
Other capital assets, net	\$ 5,955,081	\$ 1,193,280	\$ -	\$ 7,148,361
Net capital assets	\$ 7,318,387	\$ 1,970,064	\$ (1,252,121)	\$ 8,036,330

Depreciation expense was allocated as follows:

General government administration	\$ 102,885
Public safety	42,437
Public works	188,563
Parks, recreation and cultural	19,436
Total depreciation expense	\$ 353,321

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 8 — CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 404,837	\$ -	\$ -	\$ 404,837
Construction in progress	325,727	-	(265,717)	60,010
Total capital assets not being depreciated	\$ 730,564	\$ -	\$ (265,717)	\$ 464,847
Other capital assets:				
Equipment and vehicles	\$ 1,603,017	\$ 317,189	\$ (58,288)	\$ 1,861,918
Buildings and improvements	229,647	-	-	229,647
Infrastructure	56,630,898	265,717	-	56,896,615
Total other capital assets	\$ 58,463,562	\$ 582,906	\$ (58,288)	\$ 58,988,180
Accumulated depreciation:				
Equipment and vehicles	\$ (1,158,103)	\$ (112,344)	\$ 46,297	\$ (1,224,150)
Buildings and improvements	(202,637)	(4,670)	-	(207,307)
Infrastructure	(9,312,607)	(1,148,881)	-	(10,461,488)
Total accumulated depreciation	\$ (10,673,347)	\$ (1,265,895)	\$ 46,297	\$ (11,892,945)
Other capital assets, net	\$ 47,790,215	\$ (682,989)	\$ (11,991)	\$ 47,095,235
Net capital assets	\$ 48,520,779	\$ (682,989)	\$ (277,708)	\$ 47,560,082

NOTE 9 — LONG-TERM OBLIGATIONS:

Primary Government – Governmental Activities:

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

	Balance July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2019
Direct Borrowings and Placements:				
General obligation bonds	\$ 753,225	\$ -	\$ 158,534	\$ 594,691
Unamortized bond premium	48,340	-	9,367	38,973
Total Direct Borrowings and Placements	\$ 801,565	\$ -	\$ 167,901	\$ 633,664
Other Long-Term Obligations				
Capital leases	\$ 103,689	\$ 105,604	\$ 68,691	\$ 140,602
Compensated absences	116,940	71,390	70,164	118,166
Net pension liability	77,357	531,380	575,926	32,811
Net OPEB liabilities	128,870	27,056	31,716	124,210
Total Other Long-Term Obligations	\$ 426,856	\$ 735,430	\$ 746,497	\$ 415,789
Total Long-Term Obligations	\$ 1,228,421	\$ 735,430	\$ 914,398	\$ 1,049,453

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Governmental Activities: (Continued)

Details of long-term obligations:

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$60,000 issued March 30, 2017, due in monthly installments of \$1,746, interest at 3.00%, beginning May 1, 2017 through April 1, 2020 for the purchase of two police vehicles.	\$ 15,520	\$ 15,520
\$45,114 issued April 4, 2017, due in monthly installments of \$1,333, interest at 4.00%, beginning May 4, 2017, through April 4, 2020 for the purchase of a pickup truck. \$15,339 allocated to the general fund.	4,011	4,011
\$27,496 issued July 24, 2017, due in monthly installments of \$819, interest at 4.50%, beginning August 24, 2017, through July 24, 2020 for the purchase of a SUV.	10,338	9,556
\$90,456 issued March 15, 2018, due in monthly installments of \$2,708, interest at 4.85%, beginning April 15, 2018, through May 15, 2021 for the purchase of two pickup trucks. \$30,755 allocated to the general fund.	18,464	10,383
\$64,970 issued November 20, 2018, due in monthly installments of \$1,911, interest at 3.70%, beginning December 20, 2018, through November 20, 2021 for the purchase of two SUVs.	52,884	21,334
\$119,521 issued April 4, 2019, due in monthly installments of \$2,164, interest at 4.85%, beginning May 4, 2019, through April 4, 2024 for the purchase of a loader. \$40,637 allocated to the general fund.	<u>39,385</u>	<u>7,642</u>
Total capital leases	<u>\$ 140,602</u>	<u>\$ 68,446</u>
Direct Borrowings and Placements:		
General Obligation Bonds:		
Series 2004, \$700,000, refinance of 1991 bonds issued October 26, 2004 payable in monthly installments of \$5,094, through October 2019, with interest at 3.75%.	\$ 25,691	\$ 25,691
Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$663,000 allocated to the general fund, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	<u>569,000</u>	<u>26,000</u>
Total general obligation bonds	<u>\$ 594,691</u>	<u>\$ 51,691</u>
Unamortized bond premium	<u>\$ 38,973</u>	<u>\$ 9,367</u>
Compensated absences	<u>\$ 118,166</u>	<u>\$ 70,900</u>
Net pension liability	<u>\$ 32,811</u>	<u>\$ -</u>
Net OPEB liabilities	<u>\$ 124,210</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 1,049,453</u>	<u>\$ 200,404</u>

For governmental activities, the liability for compensated absences, net pension liability and the net OPEB liabilities are fully liquidated by the general fund.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Governmental Activities: (Continued)

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to governmental activities of \$594,691 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

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

Year Ending June 30,	Governmental Activities			
	Capital Leases		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2020	\$ 68,446	\$ 3,984	\$ 51,691	\$ 22,117
2021	38,900	1,890	27,000	20,958
2022	17,575	751	28,000	19,924
2023	8,437	391	29,000	18,743
2024	7,244	110	30,000	17,421
2025	-	-	31,000	16,053
2026	-	-	33,000	14,503
2027	-	-	35,000	12,861
2028	-	-	36,000	11,196
2029	-	-	38,000	9,780
2030	-	-	39,000	8,569
2031	-	-	40,000	7,278
2032	-	-	42,000	5,858
2033	-	-	43,000	4,304
2034	-	-	45,000	2,639
2035	-	-	47,000	891
Total	\$ <u>140,602</u>	\$ <u>7,126</u>	\$ <u>594,691</u>	\$ <u>193,095</u>

Primary Government-Business-type Activities:

	Balance July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2019
Direct Borrowings and Placements:				
General obligation/revenue bonds	\$ 28,550,178	\$ -	\$ 1,195,786	\$ 27,354,392
Unamortized bond premium	176,944	-	21,051	155,893
Total Direct Borrowings and Placements	\$ 28,727,122	\$ -	\$ 1,216,837	\$ 27,510,285
Other Long-Term Obligations				
Capital leases	\$ 87,074	\$ 78,884	\$ 45,872	\$ 120,086
Compensated absences	99,910	65,941	59,946	105,905
Net pension liability	67,798	474,604	513,136	29,266
Net OPEB liabilities	112,948	25,186	27,344	110,790
Total Other Long-Term Obligations	\$ 367,730	\$ 644,615	\$ 646,298	\$ 366,047
Total Long-Term Obligations	\$ 29,094,852	\$ 644,615	\$ 1,863,135	\$ 27,876,332

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

Capital leases:

\$45,114 issued April 4, 2017, due in monthly installments of \$1,333, interest at 4.00%, beginning May 4, 2017, through April 4, 2020 for the purchase of a pickup truck. \$29,775 allocated to the business-type activities.

\$ 7,786 \$ 7,786

\$90,456 issued March 15, 2018, due in monthly installments of 2,708, interest at 4.85%, beginning April 15, 2018, through May 15, 2021 for the purchase of two pickup trucks. \$59,701 allocated to the business-type activities.

35,842 20,155

\$119,521 issued April 4, 2019, due in monthly installments of \$2,164, interest at 4.85%, beginning May 4, 2019, through April 4, 2024 for the purchase of a loader. \$78,884 allocated to the business-type activities

76,458 14,836

Total capital leases

\$ 120,086 \$ 42,777

Direct Borrowings and Placements:

General Obligation Bonds:

Series 2001, \$1,926,000 issued November 2000, payable in semi-annual installments of \$48,150 through September 2022 at 0% interest.

\$ 329,453 \$ 94,780

Series 2009, \$9,000,000 bonds issued October 5, 2008 payable in monthly installments of \$31,860 through October 2049, with interest at 2.625%.

7,796,628 172,161

Series 2009, \$2,554,000 bonds issued October 5, 2008 payable in monthly installments of \$9,042 through October 2049, with interest at 2.625%.

2,206,681 49,018

Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$2,652,000 allocated to the business-type activities, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.

2,276,000 104,000

Series 2014, \$16,392,792 VRA loan issued June 17, 2014 payable in semi-annual installments through June 17, 2042 when the principal is due with interest at 0%.

14,745,630 655,712

Total general obligation bonds

\$ 27,354,392 \$ 1,075,671

Unamortized bond premium

\$ 155,893 \$ 21,051

Compensated absences

\$ 105,905 \$ 63,543

Net pension liability

\$ 29,266 \$ -

Net OPEB liabilities

\$ 110,790 \$ -

Total Business-type Activities

\$ 27,876,332 \$ 1,203,042

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2019 (CONTINUED)

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to business-type activities of \$27,354,392 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

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

Year Ending June 30,	Business-type Activities			
	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2020	\$ 1,075,671	\$ 347,422	\$ 42,777	\$ 3,727
2021	1,085,548	337,893	31,020	2,120
2022	1,095,580	327,723	15,846	1,289
2023	1,056,104	316,808	16,377	758
2024	1,021,350	305,163	14,066	214
2025	1,031,876	293,164	-	-
2026	1,046,575	280,265	-	-
2027	1,061,453	266,817	-	-
2028	1,072,513	253,100	-	-
2029	1,087,761	240,187	-	-
2030	1,099,201	227,904	-	-
2031	1,110,839	215,098	-	-
2032	1,126,680	201,577	-	-
2033	1,138,730	187,313	-	-
2034	1,154,993	172,392	-	-
2035	1,171,476	156,920	-	-
2036	992,184	144,644	-	-
2037	1,001,123	135,705	-	-
2038	1,010,300	126,528	-	-
2039	1,019,721	117,107	-	-
2040	1,029,392	107,436	-	-
2041	1,039,320	97,508	-	-
2042	713,773	87,316	-	-
2043	404,262	76,854	-	-
2044	415,003	66,113	-	-
2045	426,029	55,087	-	-
2046	437,348	43,768	-	-
2047	448,967	32,149	-	-
2048	460,895	20,221	-	-
2049	473,140	7,976	-	-
2050	46,585	135	-	-
Total	\$ 27,354,392	\$ 5,248,291	\$ 120,086	\$ 8,108

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

Capital Leases:

The Town has entered into lease agreements for various equipment and vehicles. These leases are being treated as capital leases in accordance with accounting principles general accepted in the United States of America. The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 317,832	\$ 269,817
Accumulated depreciation	(95,280)	(55,314)
Total	<u>\$ 222,552</u>	<u>\$ 214,503</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019, were as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities
2020	\$ 72,430	\$ 46,504
2021	40,790	33,140
2022	18,326	17,135
2023	8,828	17,135
2024	7,354	14,280
Total minimum lease payments	<u>\$ 147,728</u>	<u>\$ 128,194</u>
Less: amount representing interest	(7,126)	(8,108)
Present value of minimum lease payments	<u>\$ 140,602</u>	<u>\$ 120,086</u>

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TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2019 (CONTINUED)

NOTE 10 — PENSION PLANS:

Plan Description

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

Benefit Structures

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 10 — PENSION PLANS: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	39
Inactive members:	
Vested inactive members	12
Non-vested inactive members	9
Inactive members active elsewhere in VRS	40
Total inactive members	61
Active members	58
Total covered employees	158

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 10 — PENSION PLANS: (CONTINUED)

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.

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 7.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$194,529 and \$185,413 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. The Town's 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, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 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%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, 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.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 10 — PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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 age 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.

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 10 — PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Town’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%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, 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 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.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 10 — PENSION PLANS: (CONTINUED)

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

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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 10 — PENSION PLANS: (CONTINUED)

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	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

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; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate 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.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2019 (CONTINUED)

NOTE 10 — PENSION PLANS: (CONTINUED)

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 10,262,802	\$ 10,117,647	\$ 145,155
Changes for the year:			
Service cost	\$ 294,693	\$ -	\$ 294,693
Interest	703,570	-	703,570
Differences between expected and actual experience	(16,806)	-	(16,806)
Contributions - employer	-	185,164	(185,164)
Contributions - employee	-	137,868	(137,868)
Net investment income	-	748,589	(748,589)
Benefit payments, including refunds	(423,595)	(423,595)	-
Administrative expenses	-	(6,418)	6,418
Other changes	-	(668)	668
Net changes	\$ 557,862	\$ 640,940	\$ (83,078)
Balances at June 30, 2018	\$ 10,820,664	\$ 10,758,587	\$ 62,077

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town Net Pension Liability (Asset)	\$ 1,728,169	\$ 62,077	\$ (1,293,039)

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2019 (CONTINUED)

NOTE 10 — PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$143,066. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 130,229	\$ 20,266
Change in assumptions	-	79,869
Net difference between projected and actual earnings on pension plan investments	-	95,669
Employer contributions subsequent to the measurement date	<u>194,529</u>	<u>-</u>
Total	<u>\$ 324,758</u>	<u>\$ 195,804</u>

\$194,529 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2020	\$ 50,793
2021	(2,003)
2022	(105,539)
2023	(8,826)
2024	-
Thereafter	-

Pension Plan Data

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2019 (CONTINUED)

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$15,187 and \$14,615 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$224,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01478% as compared to 0.01524% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,000	\$ 5,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,000
Change in assumptions	-	9,000
Changes in proportion	3,000	7,000
Employer contributions subsequent to the measurement date	<u>15,187</u>	<u>-</u>
Total	<u>\$ 29,187</u>	<u>\$ 28,000</u>

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2019 (CONTINUED)

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

\$15,187 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>		
2020	\$	(3,000)
2021		(3,000)
2022		(3,000)
2023		(2,000)
2024		-
Thereafter		(3,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

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 age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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:

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%

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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:

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

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TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

NET GLI OPEB Liability

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

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

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

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TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s 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 System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 293,000	\$ 224,000	\$ 168,000

GLI Program Fiduciary Net Position

Detailed information about the GLI 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.

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Benefit Amounts

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested inactive members	<u>1</u>
Total inactive members	7
Active members	<u>58</u>
Total covered employees	<u><u>65</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Town contractually required employer contribution rate for the year ended June 30, 2019 was 0.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 Town to the HIC Program were \$3,505 and \$3,653 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

The Town's net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total HIC 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%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (continued)

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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*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 HIC OPEB liability 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 difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 83,000	\$ 71,000	\$ 12,000
Changes for the year:			
Service cost	\$ 3,000	\$ -	\$ 3,000
Interest	6,000	-	6,000
Differences between expected and actual experience	(2,000)	-	(2,000)
Contributions - employer	-	4,000	(4,000)
Net investment income	-	5,000	(5,000)
Benefit payments	(5,000)	(5,000)	-
Net changes	\$ 2,000	\$ 4,000	\$ (2,000)
Balances at June 30, 2018	\$ 85,000	\$ 75,000	\$ 10,000

Sensitivity of the Town's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Town's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Town's net HIC 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:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net HIC OPEB Liability	\$ 21,000	\$ 10,000	\$ 1,000

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2019 (CONTINUED)

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2019, the Town recognized HIC Program OPEB expense of \$3,000. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's HIC Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,000
Net difference between projected and actual earnings on HIC OPEB plan investments	-	2,000
Change in assumptions	-	3,000
Employer contributions subsequent to the measurement date	<u>3,505</u>	<u>-</u>
Total	<u>\$ 3,505</u>	<u>\$ 6,000</u>

\$3,505 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

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

HIC Program Plan Data

Information about the VRS Political Subdivision HIC Program 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.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2019 (CONTINUED)

NOTE 13 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):

Plan Description

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). This is a multiple-employer, cost-sharing plan 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.

The specific information for the VLDP OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. 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 VLDP.

Benefit Amounts

The VLDP 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.

The VLDP 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.

VLDP 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 requirements 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 VLDP. 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 Town to the VRS Political Subdivision VLDP were \$4,490 and \$2,788 for the years ended June 30, 2019 and June 30, 2018, respectively.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 13 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2019, the Town reported a liability of \$1,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2018 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net VLDP OPEB Liability was based on the Town's actuarially determined employer contributions to the VLDP 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 Town's proportion of the VLDP was 0.19136% as compared to 0.20940% at June 30, 2017.

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 4,490	\$ -
Total	<u>\$ 4,490</u>	<u>\$ -</u>

\$4,490 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2020.

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP 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%
Salary increases, including inflation:	
Political Subdivision Employees	3.5%-5.35%
Investment rate of return	7.0%, 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 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 OPEB liabilities.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 13 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 13 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees (continued)

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 15%

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP 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 VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan	
	<hr/>	
Total Political Subdivision VLDP OPEB Liability	\$	1,588
Plan Fiduciary Net Position		816
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		51.39%

The total Political Subdivision 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 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.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 13 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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:

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

*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 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 ended June 30, 2018, the rate contributed by the Town for the VLDP was 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 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 VLDP OPEB liability.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 13 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Sensitivity of the Town’s Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net VLDP OPEB liability using the discount rate of 7.00%, as well as what the Town’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:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Town’s proportionate share of the Net VLDP OPEB Liability	\$ 1,000	\$ 1,000	\$ 1,000

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP’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.

NOTE 14 — SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liabilities</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 11):	\$ 29,187	\$ 28,000	\$ 224,000	\$ 2,000
Town Health Insurance Credit Program (Note 12)	3,505	6,000	10,000	3,000
Virginia Local Disability Program (Note 13)	4,490	-	1,000	3,000
Totals	<u>\$ 37,182</u>	<u>\$ 34,000</u>	<u>\$ 235,000</u>	<u>\$ 8,000</u>

NOTE 15 — SURETY BONDS:

	<u>Amount</u>
VRSA Insurance - Surety	
Public Employees Blanket Bond	<u>\$ 550,000</u>

NOTE 16 — RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers’ compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2019 (CONTINUED)

NOTE 16 — RISK MANAGEMENT: (CONTINUED)

The Town is a member of the Virginia Risk Sharing Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Risk Sharing Association contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 17 — CONTINGENCIES:

The Town is obligated to the Shenandoah County School Board under an agreement dated September 4, 1973, whereby the Town has agreed to pay to the School Board \$200 for each water and sewer connection made to the primary school water and sewer lines until such time as seventy-percent of their investment is realized. The agreement does not state the method of determining the School Board's investment nor the duration of the agreement.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Under an agreement dated August 27, 1996 the Town is obligated to reimburse a developer for availability fees collected for connections to a sewer line paid for by the developer. The reimbursement shall not, in the aggregate, exceed \$250,000.

NOTE 18 — DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:

Deferred and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred, unavailable, and unearned revenue in the government-wide financial statements and fund financial statements totaling \$851,832, \$1,036,141, and \$556,586, respectively, is comprised of the following:

- A. Prepaid Property Taxes -Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$96,421 at June 30, 2019.
- B. Unbilled Property Taxes – Property taxes for the second half of 2019 that had not been billed as of June 30, 2019 amounted to \$755,411.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$184,309.
- D. Unearned Revenue – VDOT carryover – unearned revenue representing VDOT highway maintenance funds not available to fund current expenditures totaled \$556,586.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2019 (CONTINUED)**

NOTE 19—INTERFUND TRANSFERS:

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

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 83,286
Water Fund	32,782	-
Sewer Fund	32,782	-
Trash Fund	17,722	-
Total	<u>\$ 83,286</u>	<u>\$ 83,286</u>

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

NOTE 20 — SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Water Fund	Sewer Fund	Trash Funds	Total Enterprise Funds
Operating revenue	\$ 2,346,753	\$ 2,282,176	\$ 310,135	\$ 4,939,064
Depreciation and amortization	516,115	749,780	-	1,265,895
Operating income (loss)	145,951	(252,968)	(16,553)	(123,570)
Current connection fees	161,151	118,299	-	279,450
Property, plant and equipment additions, net of retirements	(167,726)	(70,579)	-	(238,305)
Net working capital	2,755,747	964,392	42,192	3,762,331
Total assets	21,079,386	32,098,484	42,192	53,220,062
Long-term liabilities	11,069,169	15,604,121	-	26,673,290
Net position	9,478,084	15,553,884	42,192	25,074,160

NOTE 21 — LITIGATION:

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

NOTE 22 — UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

General Fund

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,756,430	\$ 1,756,430	\$ 1,797,419	\$ 40,989
Other local taxes	1,622,925	1,622,925	2,164,887	541,962
Permits, privilege fees and regulatory licenses	21,000	21,000	24,803	3,803
Fines and forfeitures	35,000	35,000	32,282	(2,718)
Revenue from the use of money and property	78,386	78,386	108,463	30,077
Charges for services	92,510	92,510	48,358	(44,152)
Miscellaneous	26,100	26,100	90,000	63,900
Intergovernmental:				
Commonwealth	1,241,061	1,241,061	577,129	(663,932)
Federal	1,480,000	1,480,000	85,208	(1,394,792)
Total revenues	\$ 6,353,412	\$ 6,353,412	\$ 4,928,549	\$ (1,424,863)
EXPENDITURES				
Current:				
General government administration	\$ 784,172	\$ 784,172	\$ 591,782	\$ 192,390
Public safety	1,718,073	1,718,073	1,782,529	(64,456)
Public works	1,499,578	1,499,578	1,079,742	419,836
Health and welfare	-	-	11,721	(11,721)
Parks, recreation and cultural	172,841	172,841	177,662	(4,821)
Community development	265,950	265,950	173,773	92,177
Capital outlay:				
Administrative	3,456,000	3,456,000	698,684	2,757,316
Public safety	66,000	66,000	64,970	1,030
Public Works	40,188	40,188	57,297	(17,109)
Parks, recreation and cultural	10,000	10,000	-	10,000
Community development	-	-	71,490	(71,490)
Debt service:				
Principal	420,949	420,949	227,225	193,724
Interest	31,849	31,849	31,039	810
Total expenditures	\$ 8,465,600	\$ 8,465,600	\$ 4,967,914	\$ 3,497,686
Excess (deficiency) of revenues over (under) expenditures	\$ (2,112,188)	\$ (2,112,188)	\$ (39,365)	\$ 2,072,823
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (83,286)	\$ (83,286)
Issuance of capital leases	2,112,188	2,112,188	105,604	(2,006,584)
Total other financing sources (uses)	\$ 2,112,188	\$ 2,112,188	\$ 22,318	\$ (2,089,870)
Net change in fund balances	\$ -	\$ -	\$ (17,047)	\$ (17,047)
Fund balances - beginning	-	-	3,141,110	3,141,110
Fund balances - ending	\$ -	\$ -	\$ 3,124,063	\$ 3,124,063

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 294,693	\$ 315,556	\$ 290,071	\$ 309,266	\$ 286,988
Interest	703,570	655,845	618,895	558,470	521,309
Changes of assumptions	-	(193,159)	-	-	-
Differences between expected and actual experience	(16,806)	314,951	(44,972)	296,203	-
Benefit payments, including refunds of employee contributions	(423,595)	(399,205)	(273,073)	(328,372)	(226,479)
Net change in total pension liability	\$ 557,862	\$ 693,988	\$ 590,921	\$ 835,567	\$ 581,818
Total pension liability - beginning	10,262,802	9,568,814	8,977,893	8,142,326	7,560,508
Total pension liability - ending (a)	\$ 10,820,664	\$ 10,262,802	\$ 9,568,814	\$ 8,977,893	\$ 8,142,326
Plan fiduciary net position					
Contributions - employer	\$ 185,164	\$ 187,961	\$ 208,363	\$ 201,363	\$ 243,570
Contributions - employee	137,868	138,404	154,447	127,682	146,184
Net investment income	748,589	1,108,684	160,669	390,762	1,147,301
Benefit payments, including refunds of employee contributions	(423,595)	(399,205)	(273,073)	(328,372)	(226,479)
Administrative expense	(6,418)	(6,345)	(5,402)	(5,273)	(5,980)
Other	(668)	(989)	(67)	(83)	60
Net change in plan fiduciary net position	\$ 640,940	\$ 1,028,510	\$ 244,937	\$ 386,079	\$ 1,304,656
Plan fiduciary net position - beginning	10,117,647	9,089,137	8,844,200	8,458,121	7,153,465
Plan fiduciary net position - ending (b)	\$ 10,758,587	\$ 10,117,647	\$ 9,089,137	\$ 8,844,200	\$ 8,458,121
Town's net pension liability (asset) - ending (a) - (b)	\$ 62,077	\$ 145,155	\$ 479,677	\$ 133,693	\$ (315,795)
Plan fiduciary net position as a percentage of the total pension liability	99.43%	98.59%	94.99%	98.51%	103.88%
Covered payroll	\$ 2,809,635	\$ 2,810,614	\$ 2,686,938	\$ 2,573,711	\$ 2,637,833
Town's net pension liability (asset) as a percentage of covered payroll	2.21%	5.16%	17.85%	5.19%	-11.97%

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

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 194,529	\$ 194,529	\$ -	\$ 2,920,517	6.661%
2018	185,413	185,413	-	2,809,635	6.599%
2017	187,962	187,962	-	2,810,614	6.688%
2016	208,363	208,363	-	2,686,938	7.755%
2015	201,363	201,363	-	2,573,711	7.824%
2014	243,570	243,570	-	2,637,833	9.234%
2013	225,728	225,728	-	2,440,299	9.250%
2012	167,000	167,000	-	2,511,276	6.650%
2011	167,097	167,097	-	2,512,735	6.650%
2010	187,579	187,579	-	2,573,099	7.290%

Notes to Required Supplementary Information-Pension Plan
 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.01478% \$	224,000	\$ 2,809,635	7.97%	51.22%
2017	0.01524%	229,000	2,810,614	8.15%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 15,187	\$ 15,187	\$ -	\$ 2,920,517	0.52%
2018	14,615	14,615	-	2,809,635	0.52%
2017	14,615	14,615	-	2,810,614	0.52%
2016	12,897	12,897	-	2,686,938	0.48%
2015	12,354	12,354	-	2,573,711	0.48%
2014	12,662	12,662	-	2,637,833	0.48%
2013	11,713	11,713	-	2,440,299	0.48%
2012	7,032	7,032	-	2,509,449	0.28%
2011	7,036	7,036	-	2,513,113	0.28%
2010	5,024	5,024	-	2,572,996	0.20%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Program
 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 Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Changes in the Town's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability		
Service cost	\$ 3,000	\$ 3,000
Interest	6,000	6,000
Differences between expected and actual experience	(2,000)	-
Changes in assumptions	-	(4,000)
Benefit payments	(5,000)	(2,000)
Net change in total HIC OPEB liability	\$ 2,000	\$ 3,000
Total HIC OPEB Liability - beginning	83,000	80,000
Total HIC OPEB Liability - ending (a)	<u>\$ 85,000</u>	<u>\$ 83,000</u>
Plan fiduciary net position		
Contributions - employer	\$ 4,000	\$ 4,000
Net investment income	5,000	7,000
Benefit payments	(5,000)	(2,000)
Net change in plan fiduciary net position	\$ 4,000	\$ 9,000
Plan fiduciary net position - beginning	71,000	62,000
Plan fiduciary net position - ending (b)	<u>\$ 75,000</u>	<u>\$ 71,000</u>
Town's net HIC OPEB liability - ending (a) - (b)	\$ 10,000	\$ 12,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	88.24%	85.54%
Covered payroll	\$ 2,809,635	\$ 2,810,614
Town's net HIC OPEB liability as a percentage of covered payroll	0.36%	0.43%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 3,505	\$ 3,505	\$ -	\$ 2,920,517	0.12%
2018	3,653	3,653	-	2,809,635	0.13%
2017	3,653	3,653	-	2,810,614	0.13%
2016	3,224	3,224	-	2,686,938	0.12%
2015	3,088	3,088	-	2,573,711	0.12%
2014	4,484	4,484	-	2,637,833	0.17%
2013	4,149	4,149	-	2,440,299	0.17%
2012	4,266	4,266	-	2,509,449	0.17%
2011	4,272	4,272	-	2,513,113	0.17%
2010	6,175	6,175	-	2,572,996	0.24%

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Program
 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 Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2018	0.19136%	\$ 1,000	\$ 464,636	0.22%	51.39%
2017	0.20940%	1,000	384,513	0.26%	38.40%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 For the Years Ended June 30, 2015 through June 30, 2019

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2019	\$ 4,490	\$ 4,490	\$ -	\$ 623,632	0.72%
2018	2,788	2,788	-	464,636	0.60%
2017	2,307	2,307	-	384,513	0.60%
2016	1,304	1,304	-	217,359	0.60%
2015	718	718	-	119,629	0.60%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Virginia Local Disability Program (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 year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Strasburg's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Town's overall financial health. This information has not been audited by the independent auditors.

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

1-4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

5-9

Debt Capacity

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.

10-13

Demographic and Economic Information

These tables offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

14

Operating Information

These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relate to the services the Town provides and the activities it performs.

15-17

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

Town of Strasburg, Virginia

Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities				
Net investment in capital assets	\$ 2,256,996	\$ 2,421,573	\$ 3,008,739	\$ 3,595,924
Restricted	65,300	66,616	67,389	67,857
Unrestricted	<u>1,480,618</u>	<u>1,679,705</u>	<u>1,905,170</u>	<u>1,340,874</u>
Total governmental activities net position	<u>\$ 3,802,914</u>	<u>\$ 4,167,894</u>	<u>\$ 4,981,298</u>	<u>\$ 5,004,655</u>
Business-type activities				
Net investment in capital assets	\$ 7,364,386	\$ 7,411,042	\$ 7,868,785	\$ 8,725,596
Restricted	1,291,197	1,322,620	-	-
Unrestricted	<u>620,485</u>	<u>1,377,831</u>	<u>4,144,733</u>	<u>5,464,303</u>
Total business-type activities net position	<u>\$ 9,276,068</u>	<u>\$ 10,111,493</u>	<u>\$ 12,013,518</u>	<u>\$ 14,189,899</u>
Primary government				
Net investment in capital assets	\$ 9,621,382	\$ 9,832,615	\$ 10,877,524	\$ 12,321,520
Restricted	1,356,497	1,389,236	67,389	67,857
Unrestricted	<u>2,101,103</u>	<u>3,057,536</u>	<u>6,049,903</u>	<u>6,805,177</u>
Total primary government net position	<u>\$ 13,078,982</u>	<u>\$ 14,279,387</u>	<u>\$ 16,994,816</u>	<u>\$ 19,194,554</u>

Table 1

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 4,855,784	\$ 5,738,149	\$ 5,783,452	\$ 6,277,653	\$ 6,369,543	\$ 7,262,064
69,420	70,166	104,765	111,629	120,864	133,117
<u>1,524,614</u>	<u>1,878,675</u>	<u>2,249,153</u>	<u>2,330,229</u>	<u>3,009,846</u>	<u>2,969,903</u>
<u>\$ 6,449,818</u>	<u>\$ 7,686,990</u>	<u>\$ 8,137,370</u>	<u>\$ 8,719,511</u>	<u>\$ 9,500,253</u>	<u>\$ 10,365,084</u>
\$ 12,310,772	\$ 14,889,482	\$ 17,755,091	\$ 21,167,424	\$ 19,953,063	\$ 20,182,125
-	-	-	-	246,480	252,414
<u>4,600,322</u>	<u>5,727,679</u>	<u>5,953,491</u>	<u>3,998,422</u>	<u>4,811,769</u>	<u>4,639,621</u>
<u>\$ 16,911,094</u>	<u>\$ 20,617,161</u>	<u>\$ 23,708,582</u>	<u>\$ 25,165,846</u>	<u>\$ 25,011,312</u>	<u>\$ 25,074,160</u>
\$ 17,166,556	\$ 20,627,631	\$ 23,538,543	\$ 27,445,077	\$ 26,322,606	\$ 27,444,189
69,420	70,166	104,765	111,629	367,344	385,531
<u>6,124,936</u>	<u>7,606,354</u>	<u>8,202,644</u>	<u>6,328,651</u>	<u>7,821,615</u>	<u>7,609,524</u>
<u>\$ 23,360,912</u>	<u>\$ 28,304,151</u>	<u>\$ 31,845,952</u>	<u>\$ 33,885,357</u>	<u>\$ 34,511,565</u>	<u>\$ 35,439,244</u>

Town of Strasburg, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses				
Governmental activities:				
General government administration	\$ 684,734	\$ 662,672	\$ 505,436	\$ 532,547
Public safety	1,670,107	1,623,621	1,723,170	1,773,475
Public works	1,409,366	1,148,847	1,210,481	1,247,980
Health and welfare	6,971	7,305	9,272	9,399
Parks and recreation	35,085	27,500	40,116	55,221
Community development	33,150	43,115	179,400	177,249
Interest on long-term debt	64,539	52,218	45,836	38,526
Total governmental activities expenses	<u>\$ 3,903,952</u>	<u>\$ 3,565,278</u>	<u>\$ 3,713,711</u>	<u>\$ 3,834,397</u>
Business-type activities:				
Water	\$ 1,570,493	\$ 1,897,287	\$ 1,437,482	\$ 1,725,249
Sewer	1,557,148	1,406,216	1,547,325	1,554,539
Trash	321,645	301,737	295,362	301,194
Recreation	162,475	146,956	-	-
Total business-type activities expenses	<u>\$ 3,611,761</u>	<u>\$ 3,752,196</u>	<u>\$ 3,280,169</u>	<u>\$ 3,580,982</u>
Total primary government expenses	<u>\$ 7,515,713</u>	<u>\$ 7,317,474</u>	<u>\$ 6,993,880</u>	<u>\$ 7,415,379</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ 51,451	\$ 45,872	\$ 40,318	\$ 43,845
Parks and recreation	-	-	70,523	57,886
Operating grants and contributions:				
Public safety	104,652	103,424	99,792	99,792
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Community development	-	-	-	-
Capital grants and contributions:				
General government administration	-	-	-	-
Public works	566,897	501,435	521,818	709,684
Community development	-	-	-	-
Total governmental activities program revenues	<u>\$ 723,000</u>	<u>\$ 650,731</u>	<u>\$ 732,451</u>	<u>\$ 911,207</u>
Business-type activities:				
Charges for services:				
Water	\$ 1,611,246	\$ 1,748,177	\$ 2,005,028	\$ 2,340,205
Sewer	1,556,163	1,817,680	2,314,599	2,639,755
Trash	278,445	295,864	285,855	292,404
Recreation	74,959	65,140	-	-
Capital grants and contributions:				
Water	125,000	261,500	951,349	423,208
Sewer	115,000	273,000	77,300	-
Total business-type activities program revenues	<u>\$ 3,760,813</u>	<u>\$ 4,461,361</u>	<u>\$ 5,634,131</u>	<u>\$ 5,695,572</u>
Total primary government program revenues	<u>\$ 4,483,813</u>	<u>\$ 5,112,092</u>	<u>\$ 6,366,582</u>	<u>\$ 6,606,779</u>
Net (expense)/revenue				
Governmental activities	\$ (3,180,952)	\$ (2,914,547)	\$ (2,981,260)	\$ (2,923,190)
Business-type activities	149,052	709,165	2,353,962	2,114,590
Total primary government net (expense) revenue	<u>\$ (3,031,900)</u>	<u>\$ (2,205,382)</u>	<u>\$ (627,298)</u>	<u>\$ (808,600)</u>

Table 2

		Fiscal Year									
		2014	2015	2016	2017	2018	2019				
\$	473,961	\$	627,706	\$	732,892	\$	842,138	\$	823,092	\$	641,716
	1,870,902		1,829,034		1,734,851		1,742,668		1,722,076		1,807,172
	1,181,572		848,525		1,538,358		1,015,530		2,136,644		1,144,775
	9,661		10,265		10,109		10,236		10,569		11,721
	52,258		54,697		39,561		85,929		139,839		171,641
	211,906		209,150		148,674		244,311		166,666		181,478
	43,664		68,012		39,749		33,567		27,573		20,347
\$	<u>3,843,924</u>	\$	<u>3,647,389</u>	\$	<u>4,244,194</u>	\$	<u>3,974,379</u>	\$	<u>5,026,459</u>	\$	<u>3,978,850</u>
\$	1,931,953	\$	2,223,318	\$	2,123,742	\$	2,402,888	\$	2,390,787	\$	2,512,248
	1,692,520		1,673,529		1,639,280		1,847,774		2,525,810		2,572,113
	314,263		278,159		296,281		311,124		313,627		326,688
	-		-		-		-		-		-
\$	<u>3,938,736</u>	\$	<u>4,175,006</u>	\$	<u>4,059,303</u>	\$	<u>4,561,786</u>	\$	<u>5,230,224</u>	\$	<u>5,411,049</u>
\$	<u>7,782,660</u>	\$	<u>7,822,395</u>	\$	<u>8,303,497</u>	\$	<u>8,536,165</u>	\$	<u>10,256,683</u>	\$	<u>9,389,899</u>
\$	45,298	\$	50,025	\$	40,034	\$	40,989	\$	65,704	\$	57,085
	57,706		53,954		43,849		55,907		43,483		48,358
	241,820		177,667		142,022		123,766		129,523		133,107
	532,424		389,713		750,277		149,304		1,196,347		291,290
	-		-		-		-		-		-
	-		-		60,000		-		-		-
	953,814		444,196		-		169,492		398,529		79,979
	11,712		397,570		17,364		-		-		-
	-		-		-		-		-		-
\$	<u>1,842,774</u>	\$	<u>1,513,125</u>	\$	<u>1,053,546</u>	\$	<u>539,458</u>	\$	<u>1,833,586</u>	\$	<u>609,819</u>
\$	2,497,474	\$	2,436,912	\$	2,387,365		2,373,740		2,316,231	\$	2,329,302
	2,562,664		2,374,755		2,136,257		2,159,970		2,226,086		2,280,585
	292,585		274,757		261,927		299,265		300,991		310,135
	-		-		-		-		-		-
	862,974		558,257		102,350		52,000		162,223		161,151
	359,159		2,265,896		2,106,372		1,067,131		433,480		118,299
\$	<u>6,574,856</u>	\$	<u>7,910,577</u>	\$	<u>6,994,271</u>	\$	<u>5,952,106</u>	\$	<u>5,439,011</u>	\$	<u>5,199,472</u>
\$	<u>8,417,630</u>	\$	<u>9,423,702</u>	\$	<u>8,047,817</u>	\$	<u>6,491,564</u>	\$	<u>7,272,597</u>	\$	<u>5,809,291</u>
\$	(2,001,150)	\$	(2,134,264)	\$	(3,190,648)	\$	(3,434,921)	\$	(3,192,873)	\$	(3,369,031)
	2,636,120		3,735,571		2,934,968		1,390,320		208,787		(211,577)
\$	<u>634,970</u>	\$	<u>1,601,307</u>	\$	<u>(255,680)</u>	\$	<u>(2,044,601)</u>	\$	<u>(2,984,086)</u>	\$	<u>(3,580,608)</u>

Town of Strasburg, Virginia

Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 1,425,274	\$ 1,494,641	\$ 1,401,461	\$ 1,408,679
Other local taxes:				
Local sales tax	245,707	257,470	267,608	338,067
Franchise tax	124,028	112,760	73,739	80,662
Business licenses	115,266	108,129	107,798	102,633
Meals tax	496,868	532,016	527,138	554,176
Utility tax	50,482	50,010	57,970	60,111
Motor vehicle licenses	117,888	119,202	139,039	137,955
Other local taxes	295,754	317,383	350,241	336,494
Revenues from use of money and property	73,415	71,389	72,216	67,610
Loss on disposal of assets	(7,759)	(1,696)	-	-
Miscellaneous	113,349	85,346	57,580	83,481
Grants and contributions not restricted to specific programs	174,125	218,961	206,826	153,531
Transfers	(99,695)	(86,084)	533,048	(29,076)
Total governmental activities	<u>\$ 3,124,702</u>	<u>\$ 3,279,527</u>	<u>\$ 3,794,664</u>	<u>\$ 3,294,323</u>
Business-type activities:				
Revenues from use of money and property	\$ 44,977	\$ 43,333	\$ 41,627	\$ 31,174
Loss on disposal of assets	(40)	(12,017)	-	(3,234)
Insurance proceeds	128,986	-	-	1,625
Miscellaneous	3,401	8,860	39,486	3,150
Transfers	99,695	86,084	(533,048)	29,076
Total business-type activities	<u>\$ 277,019</u>	<u>\$ 126,260</u>	<u>\$ (451,935)</u>	<u>\$ 61,791</u>
Change in Net Position				
Governmental activities	\$ (56,250)	\$ 364,980	\$ 813,404	\$ 371,133
Business-type activities	<u>426,071</u>	<u>835,425</u>	<u>1,902,027</u>	<u>2,176,381</u>
Total primary government	<u>\$ 369,821</u>	<u>\$ 1,200,405</u>	<u>\$ 2,715,431</u>	<u>\$ 2,547,514</u>

Table 2

		Fiscal Year									
		2014	2015	2016	2017	2018	2019				
\$	1,551,809	\$	1,653,993	\$	1,728,462	\$	1,749,159	\$	1,774,648	\$	1,795,837
	336,230		342,601		342,955		375,711		388,597		394,025
	120,473		149,687		90,889		104,147		111,074		123,756
	108,961		112,537		121,515		122,849		131,925		137,475
	553,157		583,465		597,419		713,532		735,500		803,566
	62,063		72,204		61,165		142,684		165,133		155,648
	132,468		135,976		152,316		125,751		185,071		158,497
	351,910		352,562		353,132		385,251		389,570		391,920
	65,900		59,172		70,882		80,640		108,020		108,463
	-		-		-		-		-		-
	57,458		70,403		58,341		55,647		3,749		90,000
	105,884		140,921		146,609		161,691		159,829		157,961
	-		-		(82,657)		-		(40,647)		(83,286)
\$	<u>3,446,313</u>	\$	<u>3,673,521</u>	\$	<u>3,641,028</u>	\$	<u>4,017,062</u>	\$	<u>4,112,469</u>	\$	<u>4,233,862</u>
\$	36,229	\$	23,968	\$	57,304	\$	45,539	\$	45,946	\$	172,097
	-		-		-		-		(41,923)		-
	-		-		-		-		-		-
	48,846		13,829		16,492		21,405		13,461		19,042
	-		-		82,657		-		40,647		83,286
\$	<u>85,075</u>	\$	<u>37,797</u>	\$	<u>156,453</u>	\$	<u>66,944</u>	\$	<u>58,131</u>	\$	<u>274,425</u>
\$	1,445,163	\$	1,539,257	\$	450,380	\$	582,141	\$	919,596	\$	864,831
	<u>2,721,195</u>		<u>3,773,368</u>		<u>3,091,421</u>		<u>1,457,264</u>		<u>266,918</u>		<u>62,848</u>
\$	<u>4,166,358</u>	\$	<u>5,312,625</u>	\$	<u>3,541,801</u>	\$	<u>2,039,405</u>	\$	<u>1,186,514</u>	\$	<u>927,679</u>

Town of Strasburg, Virginia

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund					
Reserved	\$ 65,300	\$ -	\$ -	\$ -	-
Undesignated	1,423,127	-	-	-	-
Nonspendable	-	3,146	7,635	8,700	11,858
Restricted	-	66,616	67,389	67,857	738,605
Committed	-	-	-	-	47,375
Unassigned	-	<u>1,635,854</u>	<u>1,883,741</u>	<u>1,341,011</u>	<u>1,499,513</u>
Total general fund	<u>\$ 1,488,427</u>	<u>\$ 1,705,616</u>	<u>\$ 1,958,765</u>	<u>\$ 1,417,568</u>	<u>\$ 2,297,351</u>
 Total governmental funds	 <u>\$ 1,488,427</u>	 <u>\$ 1,705,616</u>	 <u>\$ 1,958,765</u>	 <u>\$ 1,417,568</u>	 <u>\$ 2,297,351</u>

Note: The Town implemented GASB Statement 54 beginning with fiscal year 2011-see Note 1 in the Notes to Basic Financial Statements section of the report.

Table 3

		Fiscal Year					
		2015	2016	2017	2018	2019	
\$	-	\$	-	\$	-	\$	-
	-		-		-		-
	15,848		19,712		14,601		15,831
	776,143		734,493		241,111		120,864
	70,672		71,803		27,141		891,350
	<u>1,776,510</u>		<u>2,012,068</u>		<u>2,133,018</u>		<u>2,113,065</u>
\$	<u>2,639,173</u>	\$	<u>2,838,076</u>	\$	<u>2,415,871</u>	\$	<u>3,141,110</u>
\$	<u>2,639,173</u>	\$	<u>2,838,076</u>	\$	<u>2,415,871</u>	\$	<u>3,141,110</u>
						\$	<u>3,124,063</u>

Town of Strasburg, Virginia

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues			
General property taxes	\$ 1,415,092	\$ 1,509,841	\$ 1,428,349
Other local taxes	1,450,138	1,501,187	1,525,357
Permits, privilege fees and regulatory licenses	11,546	13,715	11,351
Fines and forfeitures	39,905	32,157	28,967
Revenue from the use of money and property	73,415	71,389	72,216
Charges for service	-	-	70,523
Miscellaneous	123,349	85,346	57,580
Intergovernmental:			
Commonwealth	720,073	752,856	763,402
Federal	111,456	66,747	63,210
Total revenues	<u>\$ 3,944,974</u>	<u>\$ 4,033,238</u>	<u>\$ 4,020,955</u>
Expenditures			
General government administration	\$ 635,877	\$ 717,365	\$ 492,867
Public safety	1,613,106	1,603,911	1,705,800
Public works	1,234,325	976,895	1,051,948
Health and welfare	6,971	7,305	9,272
Parks and recreation	33,150	43,115	141,934
Community development	35,085	27,500	40,116
Capital projects	45,251	98,730	58,560
Debt service:			
Principal	303,099	236,038	235,646
Interest and other fiscal charges	65,097	52,856	46,541
Total expenditures	<u>\$ 3,971,961</u>	<u>\$ 3,763,715</u>	<u>\$ 3,782,684</u>
Excess of revenues over (under) expenditures	<u>\$ (26,987)</u>	<u>\$ 269,523</u>	<u>\$ 238,271</u>
Other financing sources (uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(99,695)	(86,084)	(9,445)
Sale of equipment	-	-	-
Issuance of bonds	-	-	-
Issuance of capital leases	24,229	33,750	24,323
Total other financing sources (uses)	<u>\$ (75,466)</u>	<u>\$ (52,334)</u>	<u>\$ 14,878</u>
Net change in fund balances	<u>\$ (102,453)</u>	<u>\$ 217,189</u>	<u>\$ 253,149</u>
Debt service as a percentage of noncapital expenditures	9.27%	7.68%	7.46%

Table 4

		Fiscal Year											
		2013	2014	2015	2016	2017	2018	2019					
\$	1,416,634	\$	1,539,495	\$	1,660,060	\$	1,609,642	\$	1,719,391	\$	1,845,728	\$	1,797,419
	1,614,343		1,665,262		1,749,032		1,719,391		1,969,925		2,106,870		2,164,887
	9,065		16,316		8,504		10,727		18,469		34,991		24,803
	34,780		28,982		41,521		29,307		22,520		30,713		32,282
	67,610		65,900		59,172		70,882		80,640		108,020		108,463
	57,886		57,706		53,954		43,849		55,907		43,483		48,358
	83,481		57,458		70,403		58,341		55,647		124,811		90,000
	926,210		825,916		663,285		1,082,232		427,858		1,478,849		577,129
	32,552		1,019,738		886,782		34,040		176,395		405,379		85,208
\$	<u>4,242,561</u>	\$	<u>5,276,773</u>	\$	<u>5,192,713</u>	\$	<u>4,658,411</u>	\$	<u>4,526,752</u>	\$	<u>6,178,844</u>	\$	<u>4,928,549</u>
\$	584,702	\$	615,777	\$	603,203	\$	622,318	\$	626,031	\$	556,163	\$	591,782
	1,731,835		1,799,586		1,753,368		1,747,335		1,683,359		1,675,417		1,782,529
	1,095,096		1,040,866		1,225,170		1,406,917		887,546		1,916,320		1,079,742
	9,399		9,661		10,265		10,109		10,236		10,569		11,721
	150,335		177,049		180,424		160,597		209,759		148,837		177,662
	55,221		52,258		54,697		39,561		85,674		136,152		173,773
	543,984		1,284,192		680,275		148,549		1,240,872		753,157		892,441
	226,512		191,725		198,051		219,039		237,074		232,368		227,225
	39,284		44,456		64,946		49,842		43,745		38,226		31,039
\$	<u>4,436,368</u>	\$	<u>5,215,570</u>	\$	<u>4,770,399</u>	\$	<u>4,404,267</u>	\$	<u>5,024,296</u>	\$	<u>5,467,209</u>	\$	<u>4,967,914</u>
\$	<u>(193,807)</u>	\$	<u>61,203</u>	\$	<u>422,314</u>	\$	<u>254,144</u>	\$	<u>(497,544)</u>	\$	<u>711,635</u>	\$	<u>(39,365)</u>
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	(29,076)		-		-		(82,657)		-		(40,647)		(83,286)
	-		-		-		-		-		-		-
	-		714,152		12,523		-		-		-		105,604
	29,462		104,428		112,898		27,416		75,339		58,251		-
\$	<u>386</u>	\$	<u>818,580</u>	\$	<u>125,421</u>	\$	<u>(55,241)</u>	\$	<u>75,339</u>	\$	<u>17,604</u>	\$	<u>22,318</u>
\$	<u>(193,421)</u>	\$	<u>879,783</u>	\$	<u>547,735</u>	\$	<u>198,903</u>	\$	<u>(422,205)</u>	\$	<u>729,239</u>	\$	<u>(17,047)</u>
	5.99%		4.53%		5.51%		6.11%		5.59%		5.56%		6.63%

Town of Strasburg, Virginia

General Governmental Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Local Sales Tax	Consumer Utility Tax	Tele-communications Tax	Franchise Tax	Cigarette Tax
2019	\$ 1,797,419	\$ 394,025	\$ 155,648	\$ 70,668	\$ 123,756	\$ 121,020
2018	1,845,728	388,597	165,133	76,175	111,074	117,549
2017	1,719,391	375,711	142,684	78,633	104,147	118,674
2016	1,609,642	342,955	61,165	80,615	90,889	128,240
2015	1,660,060	342,601	72,204	90,102	149,687	121,681
2014	1,539,495	336,230	62,063	76,778	120,473	121,452
2013	1,416,634	338,067	60,111	85,256	80,662	121,359
2012	1,428,349	267,608	57,970	85,030	73,739	142,424
2011	1,509,841	257,470	50,010	86,796	112,760	124,705
2010	1,415,092	245,707	50,482	87,229	124,028	106,978

Table 5

Meals Tax	Transient Occupancy Tax	Public Right- of-Way Fees	Motor Vehicle Licenses	Business Licenses	Total
\$ 803,566	\$ 182,577	\$ 17,655	\$ 158,497	\$ 137,475	\$ 3,962,306
735,500	195,846	-	185,071	131,925	3,952,598
713,532	187,944	-	125,751	122,849	3,689,316
597,419	144,277	-	152,316	121,515	3,329,033
583,465	136,059	-	135,976	112,537	3,404,372
553,157	138,719	-	132,468	108,961	3,189,796
554,176	129,429	-	137,955	102,633	3,026,282
527,138	110,514	-	139,039	107,798	2,939,609
532,016	103,205	-	119,202	108,129	3,004,134
496,868	98,732	-	117,888	115,266	2,858,270

Town of Strasburg, Virginia

Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands)

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	
				Real Estate	Personal Property
2019	\$ 606,910	\$ 51,026	\$ 36,559	\$ 16,284	\$ -
2018	602,606	48,698	40,632	21,332	-
2017	601,362	46,781	46,977	21,332	-
2016	600,385	47,253	33,332	21,786	-
2015	606,784	43,443	30,369	21,544	-
2014	604,013	43,492	32,588	21,201	-
2013	555,327	40,461	17,530	20,076	-
2012	552,866	40,134	21,105	22,843	-
2011	550,613	39,038	28,703	22,845	-
2010	547,258	38,159	23,230	18,028	-

Note: Real and personal property tax assessments are made by the Commissioner of Revenue for the County of Shenandoah, Virginia. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.

Table 6

	<u>Total Taxable Assessed Total</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>	<u>Total Direct Rate</u>
\$	710,779	710,779	100%	2.29
	713,268	713,268	100%	2.29
	716,452	716,452	100%	2.29
	702,756	702,756	100%	2.29
	702,140	702,140	100%	2.29
	701,294	701,294	100%	2.29
	633,394	633,394	100%	2.29
	636,948	636,948	100%	2.29
	641,199	641,199	100%	2.29
	626,675	626,675	100%	2.29

Town of Strasburg, Virginia

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Year	Direct Rates				Overlapping Rates County of Shenandoah, Virginia			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2019	\$ 0.16	\$ 1.11	\$ 0.16	0.86	0.64	\$ 3.90	\$ 0.64	\$ 3.15
2018	0.16	1.11	0.16	0.86	0.64	3.90	0.64	3.15
2017	0.16	1.11	0.16	0.86	0.60	3.60	0.60	3.15
2016	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2015	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2014	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2013	0.16	1.11	0.16	0.86	0.51/0.54	3.50	0.51/0.54	3.15
2012	0.16	1.11	0.16	0.86	0.47/0.51	3.15	0.47/0.51	3.15
2011	0.16	1.11	0.16	0.86	0.47	3.15	0.47	3.15
2010	0.16	1.11	0.16	0.86	0.47	3.15	0.47	3.15

(1) Rates are based on \$100 per assessed value

Table 7

Combined Rates				
	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>
\$	0.80	\$ 4.80	\$ 0.80	\$ 4.05
	0.80	4.80	0.80	4.05
	0.76	4.50	0.76	4.05
	0.72	4.40	0.72	4.05
	0.72	4.40	0.72	4.05
	0.72	4.40	0.72	4.05
	0.66/0.69	4.40	0.66/0.69	4.05
	0.62/0.66	4.05	0.62/0.66	4.05
	0.62	4.05	0.62	4.05
	0.63/0.62	4.05	0.63/0.62	4.05

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type of Business	Fiscal Year 2019	
		2019 Assessed Valuation	% of Total Assessed Valuation
EIP 495 Radio Station Road LLC	Rental Property/Commercial	\$ 20,428,900	3.37%
Art Mortgage Borrower	Real Estate	12,357,400	2.04%
294 Front Royal Road LLC	Manufacturing	8,522,300	1.40%
Walter Enterprises	Rental Property/Commercial	5,208,900	0.86%
Strasburg Hotel Group	Hotel	4,849,800	0.80%
Massanutten Preservation LP	Real Estate	4,539,900	0.75%
Sanwood Hospitality LLC	Real Estate	4,162,400	0.69%
IAC Strasburg LLC	Manufacturing	4,143,200	0.68%
Homewood at the Shenandoah Valley	Real Estate	3,629,700	0.60%
SFC Properties	Real Estate	3,197,200	0.53%
		<u>\$ 71,039,700</u>	<u>11.71%</u>

Taxpayer	Type of Business	Fiscal Year 2010	
		2010 Assessed Valuation	% of Total Assessed Valuation
294 Front Royal LLC	Manufacturing	\$ 11,454,700	2.09%
King Plumbing	Rental Property & Recreation Ctr.	10,652,100	1.95%
IAC Corp	Manufacturing	8,763,800	1.60%
Toothman Investments	Real Estate/ Rental Property	5,837,400	1.07%
Massanutten Elderly	Rental Property	5,037,500	0.92%
Sunlight Properties	Real Estate/ Rental Property	4,692,000	0.86%
Homewood Retirement	Rental & Shopping	4,177,100	0.76%
Taylor Grace	Rental Property	4,055,700	0.74%
Frank Yeakle III	Rental Property	3,580,100	0.65%
Greenfield Ass. Living/Reflections	Residential	3,927,800	0.72%
		<u>\$ 54,737,700</u>	<u>10.00%</u>

Source: Assessed values per the Commissioner of Revenue for the County of Shenandoah, Virginia

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2019	\$ 1,739,312	\$ 1,688,776	97.09%	\$ -	1,688,776	97.09%
2018	1,739,692	1,647,491	94.70%	49,118	1,696,609	97.52%
2017	1,715,312	1,625,964	94.79%	62,961	1,688,925	98.46%
2016	1,630,544	1,546,964	94.87%	63,386	1,610,350	98.76%
2015	1,612,273	1,567,292	97.21%	26,840	1,567,292	97.21%
2014	1,615,808	1,571,938	97.28%	31,883	1,603,821	99.26%
2013	1,510,934	1,480,446	97.98%	28,819	1,509,265	99.89%
2012	1,539,343	1,455,015	94.52%	83,046	1,538,061	99.92%
2011	1,597,836	1,517,593	94.98%	79,028	1,596,621	99.92%
2010	1,520,815	1,433,595	94.26%	86,500	1,520,095	99.95%

Source: Department of Finance

Town of Strasburg, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>
	<u>General</u>	<u>Capital</u>	<u>General</u>	<u>Capital</u>	
	<u>Obligation</u>	<u>Leases</u>	<u>Obligation</u>	<u>Leases</u>	
	<u>Bonds</u>		<u>Bonds</u>		
2019	\$ 633,664	\$ 140,602	\$ 27,510,285	\$ 120,086	\$ 28,404,637
2018	801,565	103,689	28,727,122	87,074	29,719,450
2017	916,706	118,325	28,561,830	55,572	29,652,433
2016	1,070,425	126,341	26,288,079	65,478	27,550,323
2015	1,217,333	171,056	19,913,636	102,054	21,404,079
2014	1,374,504	114,238	15,796,871	41,456	17,327,069
2013	874,226	38,813	13,954,938	10,432	14,878,409
2012	1,066,946	43,142	14,511,890	24,000	15,645,978
2011	1,256,015	65,396	12,922,362	14,232	14,258,005
2010	1,445,488	78,211	7,416,397	25,760	8,965,856

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14

Table 10

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
1.44% \$	4,266
1.72%	4,486
1.75%	4,515
1.67%	4,200
1.31%	3,271
1.11%	2,662
0.96%	2,285
1.07%	2,417
1.03%	2,229
0.66%	2,047

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2019	\$ 28,143,949	\$ 252,414	\$ 27,891,535	3.92%	\$ 4,189
2018	29,528,687	246,480	29,282,207	4.11%	4,420
2017	29,478,536	-	29,478,536	4.11%	4,489
2016	27,358,504	-	27,358,504	3.89%	4,171
2015	21,130,969	-	21,130,969	3.01%	3,230
2014	17,171,375	-	17,171,375	2.45%	2,638
2013	14,829,164	-	14,829,164	2.34%	2,277
2012	15,578,836	-	15,578,836	2.45%	2,407
2011	14,178,377	1,258,395	12,919,982	2.01%	2,019
2010	8,861,885	1,291,197	7,570,688	1.21%	1,728

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13
 (2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6
 (3) Includes all long-term general obligation debt. Excludes notes payable, capital leases and compensated absences.

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Town of Strasburg, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Assessed Valuations				
Assessed value of taxed real property	\$ <u>547,258,000</u>	\$ <u>550,613,000</u>	\$ <u>552,866,000</u>	\$ <u>555,327,000</u>
Legal debt margin				
Debt limit - 10 percent of total assessed value	\$ <u>54,725,800</u>	\$ <u>55,061,300</u>	\$ <u>55,286,600</u>	\$ <u>55,532,700</u>
Debt applicable to limitation:				
Total bonded debt	\$ 7,570,688	\$ 12,919,982	\$ 15,578,836	\$ 14,829,164
Less: Business-type activities bonds	<u>(7,416,397)</u>	<u>(12,922,362)</u>	<u>(14,511,890)</u>	<u>(13,954,938)</u>
Total amount of debt applicable to debt limitation	\$ <u>154,291</u>	\$ <u>(2,380)</u>	\$ <u>1,066,946</u>	\$ <u>874,226</u>
Legal debt margin	\$ <u>54,571,509</u>	\$ <u>55,063,680</u>	\$ <u>54,219,654</u>	\$ <u>54,658,474</u>
Total net debt applicable to the limit as a percentage of debt limit	0.28%	0.00%	1.93%	1.57%

Table 12

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ <u>604,013,000</u>	\$ <u>606,784,000</u>	\$ <u>600,385,000</u>	\$ <u>601,362,000</u>	\$ <u>602,606,000</u>	\$ <u>606,910,000</u>
\$ <u>60,401,300</u>	\$ <u>60,678,400</u>	\$ <u>60,038,500</u>	\$ <u>60,136,200</u>	\$ <u>60,260,600</u>	\$ <u>60,691,000</u>
\$ 17,171,375	\$ 21,130,969	\$ 27,358,504	\$ 29,478,536	\$ 29,282,207	\$ 27,891,535
<u>(15,796,871)</u>	<u>(19,913,636)</u>	<u>(26,288,079)</u>	<u>(28,561,830)</u>	<u>(28,727,122)</u>	<u>(27,510,285)</u>
\$ <u>1,374,504</u>	\$ <u>1,217,333</u>	\$ <u>1,070,425</u>	\$ <u>916,706</u>	\$ <u>555,085</u>	\$ <u>381,250</u>
\$ <u>59,026,796</u>	\$ <u>59,461,067</u>	\$ <u>58,968,075</u>	\$ <u>59,219,494</u>	\$ <u>59,705,515</u>	\$ <u>60,309,750</u>
2.28%	2.01%	1.78%	1.52%	0.92%	0.63%

Direct and Overlapping Governmental Activities Debt
June 30, 2019

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage</u>	<u>Amount applicable to Primary Government</u>
County of Shenandoah, Virginia	\$ 47,661,746	11.79%	\$ 5,620,172
Town of Strasburg, Virginia direct debt			<u>774,266</u>
Total direct and overlapping debt			<u>\$ 6,394,438</u>

Sources: Outstanding debt and applicable percentages provided by the County of Shenandoah, Virginia

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of Strasburg, Virginia. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (000's) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2019	6,658	\$ 1,974,201	\$ 45,387	2.60%
2018	6,625	1,724,404	39,940	3.32%
2017	6,567	1,696,997	39,291	3.60%
2016	6,559	1,647,658	37,896	3.60%
2015	6,543	1,630,305	36,627	4.99%
2014	6,509	1,565,050	35,016	5.90%
2013	6,512	1,550,472	35,016	6.20%
2012	6,473	1,464,248	35,016	6.60%
2011	6,398	1,390,234	31,909	7.30%
2010	4,380	1,366,727	31,917	8.60%

(1) The population numbers came from the University of Virginia - Weldon Cooper Center for Public Service.

(2) This information is not maintained for the towns in Virginia. The amounts used here are for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the US. Bureau of Economic Analysis, Personal Income in Shenandoah County, VA [PI51171], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PI51171>, October 4, 2016.

(3) This information is not maintained for the towns in Virginia. The amounts used here are for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the US. Bureau of Economic Analysis, Per Capita Personal Income in Shenandoah County, VA [PCPI51171], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCPI51171>, October 4, 2016.

(4) Unemployment rate is for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the Virginia Employment Commission.

Data that is unavailable for a more recent year is noted as the prior year's amount.

Town of Strasburg, Virginia

Full-time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

Function	Fiscal Year				
	2010	2011	2012	2013	2014
General government					
General administration	2.0	3.0	2.0	2.0	2.0
Financial administration	4.0	5.0	5.0	5.0	5.0
Planning Office	1.0	1.0	1.0	1.0	1.0
Public safety					
Sworn Officers	21.0	20.0	18.0	18.0	15.0
Administrative	1.0	1.0	1.0	1.0	1.0
Public works	20.0	20.0	18.0	18.0	19.0
Economic/Community development	1.0	0.0	0.0	0.0	1.0
Parks and recreation	0.0	0.0	0.0	0.0	0.0
Water and sewer	12.0	12.0	11.0	11.0	12.0
Totals	<u>62.0</u>	<u>62.0</u>	<u>56.0</u>	<u>56.0</u>	<u>56.0</u>

Source: Department of Finance; Staffing Reports

Table 15

Fiscal Year				
2015	2016	2017	2018	2019
1.0	2.0	1.5	2.0	2.0
5.0	5.0	4.5	5.0	5.0
1.0	1.0	1.0	1.0	1.0
18.0	18.0	17.0	17.0	17.0
1.0	1.0	1.0	1.0	1.0
18.0	19.0	19.0	19.0	19.0
1.0	1.0	1.0	1.0	2.0
0.0	0.0	0.0	0.0	0.0
<u>12.0</u>	<u>11.0</u>	<u>11.0</u>	<u>13.0</u>	<u>13.0</u>
<u>57.0</u>	<u>58.0</u>	<u>56.0</u>	<u>59.0</u>	<u>60.0</u>

Town of Strasburg, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013
Public safety				
Police department				
Number of complaints investigated	8,688	8,863	8,471	9,080
Number of vehicle accidents investigated	145	127	125	149
Number of traffic summons (adult & juvenile)	487	494	491	466
Number of criminal arrests (adult)	*	*	*	*
Number of criminal arrests (juvenile)	23	18	47	42
Public works				
Streets	128	128	128	128
Streets resurfaced (miles per year)	0.00	1.04	3.17	0.12
Refuse				
Refuse collected (tons per year)	1,708	1,785	1,794	1,820
Recycling				
Recycling collected (tons per year)	266	236	200	200
Community development				
Planning and zoning				
Zoning permits issued	111	75	78	30
Water				
Number of water main break repairs	*	*	*	*
Average daily finished water production (mgd)	0.7922	0.7873	0.7272	0.7333
Sewer				
Number of sewer line repairs	*	*	*	*
Average daily effluent wastewater treatment (mgd)	0.8421	0.7987	0.6876	0.7982

*Information not available. It is the goal of the Town to achieve ten fiscal years of this information in the future.

Source: Town individual departments

Note: All statistical data is based on the previous calendar year of the fiscal year indicated.

Table 16

Fiscal Year					
2014	2015	2016	2017	2018	2019
8,659	8,403	8,882	8,120	8,001	7,502
138	146	142	109	124	138
665	557	407	502	589	664
290	410	408	314	380	380
35	45	24	8	38	26
128	128	128	128	128	130
1.79	0.33	3.34	1.17	11.38	0.00
1,777	2,094	2,207	2,329	2,469	2,327
207	188	193	218	206	191
116	129	106	135	177	113
*	9	6	5	10	9
0.7307	0.7357	0.7128	0.7140	0.6698	0.7283
*	4	6	3	4	5
0.9092	0.7078	0.7052	0.7488	1.2956	1.0459

Town of Strasburg, Virginia

Capital Asset and Infrastructure Statistics by Function/Program Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2010	2011	2012	2013	2014
Public safety					
Police department					
Stations	1	1	1	1	1
Law enforcement vehicles	*	*	*	*	*
Public works					
Streets department					
Number of streets	128	128	128	128	128
Number of street lights	485	485	485	485	516
Parks and recreation					
				7	
Number of parks	2	2	2	2	2
Number of swimming pools	1	1	1	1	1
Number of picnic shelters	7	7	7	8	8
Number of tennis courts	2	2	2	2	2
Water					
Miles of water distribution lines	40.39	40.39	40.39	40.39	40.39
Storage capacity (mg)	3.4	3.4	3.4	3.4	3.4
Sewer					
Miles of sanitary sewer lines	40.48	40.48	40.48	40.48	40.48
Number of sewer lift/pumping station:	11	11	11	11	11

Information is not available prior to fiscal year 2006; it is the goal of the Town to achieve ten fiscal years of this information in the future.

* Information is not available.

Source: Town individual departments

Table 17

Fiscal Year				
2015	2016	2017	2018	2019
1 *	1 *	1 12	1 12	1 13
128 516	128 516	128 516	128 522	130 522
2 1 8 2	2 1 8 2	2 1 8 2	2 1 8 2	3 1 8 2
40.39 3.4	40.39 3.4	40.39 3.4	40.39 3.4	40.39 3.4
40.48 11	40.48 11	40.48 12	40.48 12	40.48 12

COMPLIANCE SECTION



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of the Town Council
Town of Strasburg, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, 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 Strasburg, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2019.

Internal Control over Financial Reporting

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2019