



COMPREHINSIVE ANNUAL
FINANCIAL REPORT
For Fiscal Year Ended
June 30, 2019

TOWN OF COEBURN, VIRGINIA
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2019

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TOWN OF COEBURN, VIRGINIA
TOWN OFFICIALS

MAYOR:

Jeff Kiser

VICE- MAYOR:

Sharon Still

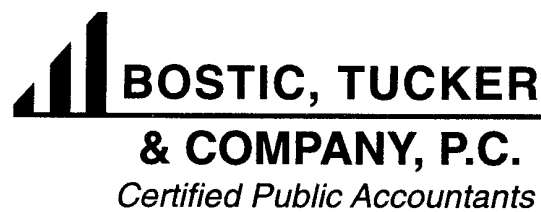
OTHER COUNCIL MEMBERS:

Deventae Mooney
Mike Wright
Mike Holbrook

OTHER OFFICIALS:

Town Manager
Treasurer – Clerk
Police Chief
Legal Counsel

Jimmy Williams
Cathy Sharpe
Scott Brooks
William Sturgill



RONALD C. BOSTIC, CPA
GREGORY D. TUCKER, CPA

P.O. Box 505, Lebanon, VA 24266
(276) 889-3103 Fax: (276) 889-0229
www.bthcpa.com

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the
Town Council
Town of Coeburn, Virginia:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Coeburn, Virginia, as of 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Coeburn, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-9, the budgetary comparison information on pages 59-63, the Schedule of Pension Plan—GASB 68 on pages 64-67, and the Schedule of Group Life OPEB Plan—GASB 75 on pages 68-72 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Other Supplementary Information

Schedule of Pledged Revenue Coverage (Last Ten Fiscal Years) on page 73 is presented for additional analysis only and is not part of the basic financial statements. The other supplemental information was not audited by us and accordingly, we do not express an opinion on the other supplementary information.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the Town of Coeburn, 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 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 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 Coeburn, Virginia's internal control over financial reporting and compliance.

Bostic, Tucker & Company, PC

June 29, 2020
Lebanon, Virginia



RONALD C. BOSTIC, CPA
GREGORY D. TUCKER, CPA

P.O. Box 505, Lebanon, VA 24266
(276) 889-3103 Fax: (276) 889-0229
www.bthcpa.com

**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***

The Honorable Members of the
Town Council
Town of Coeburn, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Coeburn, 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 Coeburn, Virginia's basic financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Coeburn, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bostic, Tucker & Company, PC

June 29, 2020
Lebanon, Virginia

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Town Council
To the Citizens of Coeburn
Coeburn, Virginia

As management of the Town of Coeburn, we offer readers of the Town's financial statements this narrative overview and analysis of the financial statements of the Town for the Fiscal Year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights:

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5,030,838 (net position). Of this amount, \$649,618 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's funds reported combined ending cash balances of \$309,830, an increase of \$114,269 in comparison with the prior year. Approximately 52% of this total amount, or \$163,060 is available for spending at the Town's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$668,797 or 51% of total general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise four components:

- Government-wide financial statements,
- General Fund financial statements,
- Proprietary Fund financial statements, and
- Notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The balance sheet, or statement of net position, presents information on all of the Town's assets, liabilities, deferred inflows and deferred outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The income statement, or statement of activities, presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and long-term debt.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover

all or a significant portion of their costs through user fees and charges (business-type activities.) The governmental activities of the Town include administrative, public safety, sanitation, public works, parks and recreation, and cultural events. The Government-wide financial statements include not only the Town of Coeburn general fund, but also the water and sewer funds (for which the Town of Coeburn is financially accountable.)

General Fund statements

The General Fund is the primary fund used to account for the Town's current operations by recording inflows and outflows of current financial resources and is prepared on the modified accrual basis of accounting. The difference between the assets, liabilities, deferred inflows, and deferred outflows is the fund balance. GASB-34 requires a "Balance Sheet" and a "Statement of Revenues, Expenditures, and Changes in Fund Balances" be presented. The Town adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance or non-compliance with this budget.

Proprietary Fund statements

This separate fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Coeburn, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and proprietary fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town this fiscal year, assets and deferred outflows exceed liabilities and deferred inflows by \$5,030,838. The largest portion of the Town's net position (86%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>FY 2019</u>	<u>FY 2018</u>
Current and other assets	\$1,100,090	\$ 638,623
Capital assets	<u>6,081,606</u>	<u>6,143,808</u>
Total assets	<u>7,181,696</u>	<u>6,782,431</u>
Deferred Outflows	<u>34,688</u>	<u>65,845</u>
Current liabilities	491,371	403,505
Long-term liabilities	<u>1,571,642</u>	<u>1,961,887</u>
Total liabilities	<u>2,063,013</u>	<u>2,365,392</u>
Deferred Inflows	<u>122,533</u>	<u>216,556</u>
Net investment in capital assets	4,357,047	4,418,570
Restricted	24,173	129,326
Unrestricted	<u>649,618</u>	<u>(281,568)</u>
Total net position	<u>\$5,030,838</u>	<u>\$4,266,328</u>

At the end of the current fiscal year, the Town reports positive amounts in net position. Governmental activities increased the net position by \$263,694 while proprietary activities increased net position by \$500,816.

Town of Coeburn's Change in Net Position

	<u>Primary Government.</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,996,212	\$1,337,894
Operating grants and contributions	74,208	61,134
Capital grants and contributions	272,284	381,659
General revenues:		
Property taxes	248,902	232,798
Other local taxes	710,019	669,787
Miscellaneous	<u>36,338</u>	<u>47,950</u>
Total revenues	<u>3,337,963</u>	<u>2,731,222</u>
Expenses:		
General government	119,201	189,106
Public safety	538,837	617,107
Public works	320,395	435,360
Parks, Recreation & Cultural	33,555	44,185
Community Development	9,375	10,000
Other	17,030	581,299
Water and Sewer	<u>1,535,060</u>	<u>1,731,038</u>
Total expenses	<u>2,573,453</u>	<u>3,608,095</u>
Increase (Decrease) in net position	<u>\$ 764,510</u>	<u>\$ (876,873)</u>

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$668,797, while the total fund balance was \$695,613. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51% of general fund expenditures. The general fund balance increased \$20,350 during the current year.

The enterprise fund has a total net position of \$2,478,550, of which (\$123,118) is unrestricted. The enterprise fund balance increased by \$500,816 during the current year.

General Fund Budgetary Highlights

During the 2019 fiscal year, the Town did not show amendments to its original budget. Additional funds were appropriated during the year that exceeded the original budget for some line items, however expenditures did not exceed the original budget overall.

The actual expenditures were above budget by \$194,953. Code of Virginia section 15.2 paragraphs 2503-2507 sets forth the requirements to ensure an approved appropriation.

Capital Assets and Debt Administration

Capital assets – The Town’s investment in capital assets for its governmental funds as of June 30, 2019 amounts to \$4,357,047 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total decrease in the Town’s investment in capital assets for all activities less disposals for the current fiscal year was \$61,523.

	<u>Primary Government</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 964,915	\$ 964,915
Construction in Progress	350,431	96,858
Buildings and Improvements	9,270,421	9,259,121
Machinery and Equipment	<u>2,283,277</u>	<u>2,209,039</u>
Total capital assets	<u>12,869,044</u>	<u>12,529,933</u>
Less: accumulated depreciation	<u>6,787,437</u>	<u>6,386,125</u>
Net capital assets	<u>\$ 6,081,607</u>	<u>\$6,143,808</u>

Additional information on the Town’s capital assets can be found in Note 10.

Long-term debt – At the end of the current fiscal year, the Town had structured installment purchases and capital leases for vehicles and equipment. Additional information on the Town of Coeburn’s long-term debt can be found in Note 11 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The June 2019 unemployment rate for the local area was 4.9% percent, which is a decrease from a rate of 5.9% percent a year ago. This is higher than the state’s average unemployment rate of 2.9% percent by 3 percent and higher than the national average rate of 3.7% by 2.2 percent.
- Inflationary trends in the region compare equally to the national indices.
- These factors were considered in preparing Coeburn’s FY 2019 budget.

Request for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town Manager, Town of Coeburn, 403 2nd Street NE, P. O. Box 370, Coeburn, VA 24230.

TOWN OF COEBURN, VIRGINIA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 39,458	\$ 123,602	\$ 163,060
Receivables, net			
Due from Other Governmental Units	65,828	1,500	67,328
Taxes	18,362	-	18,362
Accounts	35,371	135,651	171,022
Accrued Interest	41,267	36,102	77,369
Other	48,433	80,792	129,225
Interfund balances	487,512	(487,512)	-
Net Pension Asset	170,017	156,938	326,955
Restricted cash	1,992	144,777	146,769
Capital assets, depreciable, net	818,645	3,947,615	4,766,260
Capital assets, non-depreciable	958,915	356,431	1,315,346
TOTAL ASSETS	2,685,800	4,495,896	7,181,696
<u>DEFERRED OUTFLOWS</u>			
Pension Plan	14,520	13,404	27,924
GLI OPEB	3,382	3,382	6,764
TOTAL DEFERRED OUTFLOWS	17,902	16,786	34,688
<u>LIABILITIES</u>			
Accounts payable	18,401	53,084	71,485
Accrued liabilities and wages	6,423	6,023	12,446
Customer deposits	-	124,356	124,356
Interest payable	-	915	915
Long-term Liabilities:			
Due within one year	-	261,851	261,851
Due within more than one year	-	1,462,708	1,462,708
GLI OPEB Liability	27,000	27,000	54,000
Compensated Absences:			
Due within one year	9,756	10,562	20,318
Due within more than one year	26,377	28,557	54,934
TOTAL LIABILITIES	87,957	1,975,056	2,063,013
<u>DEFERRED INFLOWS</u>			
Pension Plan	56,957	52,576	109,533
GLI OPEB	6,500	6,500	13,000
TOTAL DEFERRED INFLOWS	63,457	59,076	122,533
<u>NET POSITION</u>			
Net investment in capital assets	1,777,560	2,579,487	4,357,047
Restricted	1,992	22,181	24,173
Unrestricted	772,736	(123,118)	649,618
TOTAL NET POSITION	2,552,288	2,478,550	5,030,838

The accompanying notes are an integral part of the financial statements

TOWN OF COEBURN, VIRGINIA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
June 30, 2019

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 119,201	\$ -	\$ -	\$ -	\$ (119,201)	\$ -	\$ (119,201)
Public safety	538,837	10,000	74,208	85,715	(368,914)	-	(368,914)
Public works	320,395	103,982	-	-	(216,413)	-	(216,413)
Parks, recreation and cultural	33,555	15,947	-	-	(17,608)	-	(17,608)
Community Development	9,375	-	-	16,976	7,601	-	7,601
Miscellaneous	16,976	-	-	-	(16,976)	-	(16,976)
Interest	<u>54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54)</u>	<u>-</u>	<u>(54)</u>
Total Governmental Activities	<u>1,038,393</u>	<u>129,929</u>	<u>74,208</u>	<u>102,691</u>	<u>(731,565)</u>	<u>-</u>	<u>(731,565)</u>
Business-Type Activities:							
Water	835,780	1,177,062	-	154,593	-	495,875	495,875
Sewer	<u>699,280</u>	<u>689,221</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>4,941</u>	<u>4,941</u>
Total Business-Type Activities	<u>1,535,060</u>	<u>1,866,283</u>	<u>-</u>	<u>169,593</u>	<u>-</u>	<u>500,816</u>	<u>500,816</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,573,453</u>	<u>\$ 1,996,212</u>	<u>\$ 74,208</u>	<u>\$ 272,284</u>	<u>(731,565)</u>	<u>500,816</u>	<u>\$ (230,749)</u>
General Revenues:							
Property taxes					248,902	-	248,902
Other local taxes					710,019	-	710,019
Unrestricted intergovernmental revenue					-	-	-
Restricted intergovernmental revenue					-	-	-
Unrestricted investment earnings					-	-	-
Rental of Town property					3,600	-	3,600
Loss from disposal of property					-	-	-
Other					<u>32,738</u>	<u>-</u>	<u>32,738</u>
Total general revenues and transfers					<u>995,259</u>	<u>-</u>	<u>995,259</u>
Change in net position					263,694	500,816	764,510
NET POSITION - JULY 01					2,288,594	1,977,734	4,266,328
NET POSITION - JUNE 30					<u>\$ 2,552,288</u>	<u>\$ 2,478,550</u>	<u>\$ 5,030,838</u>

The accompanying notes are an integral part of the financial statements

BALANCE SHEET
GOVERNMENTAL FUND
Year Ended June 30, 2019

	General Fund	Total
<u>ASSETS</u>		
Cash and cash equivalents	\$ 39,458	\$ 39,458
Receivables, net:		
Due from Other Governmental Units	65,828	65,828
Taxes	18,362	18,362
Accounts	35,371	35,371
Accrued Interest	41,267	41,267
Other	48,433	48,433
Due from Utility Fund	487,512	487,512
Prepaid Insurance	-	-
Restricted cash	1,992	1,992
TOTAL ASSETS	\$ 738,223	\$ 738,223
<u>LIABILITIES</u>		
Accounts payable	\$ 18,401	\$ 18,401
Accrued payroll and related liabilities	6,423	6,423
TOTAL LIABILITIES	24,824	24,824
<u>DEFERRED INFLOWS</u>		
Property taxes receivable	17,786	17,786
<u>FUND BALANCES</u>		
Nonspendable	-	-
Committed Funds	1,992	1,992
Assigned Funds	24,824	24,824
Unassigned Funds	668,797	668,797
TOTAL FUND BALANCES	695,613	695,613
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 738,223	\$ 738,223

**Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:**

Total Fund Balances \$ 695,613

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$5,157,762 and the accumulated depreciation is \$3,380,202

1,777,560

Because the focus of governmental funds is on current resources, some inflows/outflows of resources are recognized in future periods and are not included in the governmental funds.

(27,769)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consisted of the following:

Net pension asset 170,017	
Net GLI OPEB liability (27,000)	
Compensated absences (36,133)	106,884
Net Position of Governmental Activities	\$ 2,552,288

The accompanying notes are in an integral part of the financial statements.

TOWN OF COEBURN, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2019

EXHIBIT 4

	General Fund	Total
	2019	
REVENUES:		
General property taxes	\$ 253,129	\$ 253,129
Other local taxes	710,019	710,019
Permits, privilege fees and regulatory licenses	245	245
Fines and forfeitures	10,683	10,683
Revenue from the Use of Money and Property	3,600	3,600
Charges for services	129,929	129,929
Miscellaneous	7,909	7,909
Intergovernmental	<u>190,800</u>	<u>190,800</u>
TOTAL REVENUES	<u>1,306,314</u>	<u>1,306,314</u>
EXPENDITURES:		
Current:		
General government administration	123,814	123,814
Public safety	680,595	680,595
Public works	413,276	413,276
Parks, recreation and cultural	38,550	38,550
Community development	12,700	12,700
Miscellaneous	16,976	16,976
Debt Service:	-	-
Principal Retirement	2,000	2,000
Interest	<u>54</u>	<u>54</u>
TOTAL EXPENDITURES	<u>1,287,964</u>	<u>1,287,964</u>
EXCESS (DEFICIENCY) OF		
 REVENUES OVER EXPENDITURES	18,350	18,350
OTHER FINANCING SOURCES (USES):		
Loan proceeds	2,000	2,000
Operating transfers	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>2,000</u>
NET CHANGE IN FUND BALANCE	20,350	20,350
FUND BALANCE, JULY 01	<u>675,263</u>	<u>675,263</u>
FUND BALANCE, JUNE 30	<u><u>\$ 695,613</u></u>	<u><u>\$ 695,613</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF COEBURN, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

EXHIBIT 5

	<u>General Fund</u>
Net Change in Fund Balance- (As Presented In This Statement):	\$ 20,350
Amounts Presented for Governmental Activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period.	108,591
Because some revenue will not be collected for several months after the Town's year end, they are not considered as "available" revenues in the governmental funds. Deferred inflows increased by this amount this year.	(4,227)
In the governmental funds, loan proceeds are recorded as revenues and loan payments are recorded as expenditures. In the statement of activities however, loan proceeds are recorded as a liability and the payments are a reduction of that liability. This amount represents the change in liability balance.	-
In the statement of activities, expenses are measured by the amounts incurred during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used.	356,163
Change in Net Position of Governmental Activities as Reported on the Statement of Activities	<u><u>\$ 480,877</u></u>

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

TOWN OF COEBURN, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2019

2019
Enterprise Fund

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash & cash equivalents	\$ 123,602	\$ -	\$ 123,602
Restricted cash & cash equivalents	144,777	-	144,777
Due from Other Governments	1,500	-	1,500
Receivables, net	75,151	60,500	135,651
Penalties & interest receivable	18,051	18,051	36,102
Other Receivables	-	80,792	80,792
Prepaid Insurance	-	-	-
Noncurrent Assets:			
Restricted cash & cash equivalents	-	-	-
Net Pension Asset	156,938	-	156,938
Capital assets, depreciable, net	1,981,317	1,966,298	3,947,615
Capital assets, non-depreciable	356,431	-	356,431
TOTAL ASSETS	<u>2,857,767</u>	<u>2,125,641</u>	<u>\$ 4,983,408</u>
<u>DEFERRED OUTFLOWS</u>			
Pension Plan	13,404	-	13,404
GLI OPEB	3,382	-	3,382
TOTAL DEFERRED OUTFLOWS	<u>16,786</u>	<u>-</u>	<u>16,786</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	50,934	2,150	53,084
Accrued wages and liabilities	6,023	-	6,023
Interest Payable	915	-	915
Compensated Absences	10,235	327	10,562
Customer deposits	124,356	-	124,356
Notes Payable	188,500	73,351	261,851
Due to other funds	487,512	-	487,512
Noncurrent Liabilities			
Compensated Absences	27,671	886	28,557
Net GLI OPEB Liability	27,000	-	27,000
Notes Payable	370,695	1,092,013	1,462,708
TOTAL LIABILITIES	<u>1,293,841</u>	<u>1,168,727</u>	<u>2,462,568</u>
<u>DEFERRED INFLOWS</u>			
Pension Plan	52,576	-	52,576
GLI OPEB	6,500	-	6,500
TOTAL DEFERRED INFLOWS	<u>59,076</u>	<u>-</u>	<u>59,076</u>
<u>NET POSITION</u>			
Net investment in capital assets	1,778,553	800,934	2,579,487
Restricted	22,181	-	22,181
Unrestricted	<u>(279,098)</u>	<u>155,980</u>	<u>(123,118)</u>
TOTAL NET POSITION	<u>\$ 1,521,636</u>	<u>\$ 956,914</u>	<u>\$ 2,478,550</u>

The accompanying notes are an integral part of the financial statements

TOWN OF COEBURN, VIRGINIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2019

	2019		
	Enterprise Fund		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u> <u>Enterprise Fund</u>
OPERATING REVENUES:			
Water rents	\$ 767,949	\$ -	\$ 767,949
Sewer rents	-	688,671	688,671
Sale of labor and materials	-	-	-
Water and sewer tap fees	-	550	550
Miscellaneous	<u>409,113</u>	<u>-</u>	<u>409,113</u>
Total Operating Revenues	<u>\$ 1,177,062</u>	<u>\$ 689,221</u>	<u>\$ 1,866,283</u>
OPERATING EXPENSES:			
Personnel services	\$ 280,714	\$ 165,753	\$ 446,467
Fringe benefits	127,928	74,000	201,928
Contractual services	11,100	-	11,100
Repairs and maintenance	16,038	-	16,038
Supplies	19,470	-	19,470
Other charges	220,696	327,685	548,381
Projects and Equipment	387	15,000	15,387
Depreciation	<u>148,776</u>	<u>116,842</u>	<u>265,618</u>
Total Operating Expenses	<u>825,109</u>	<u>699,280</u>	<u>1,524,389</u>
OPERATING INCOME (LOSS)	<u>351,953</u>	<u>(10,059)</u>	<u>341,894</u>
NON-OPERATING REVENUES (EXPENSES) :			
Interest expense	(10,671)	-	(10,671)
Grant revenue	154,593	15,000	169,593
Operating transfers	<u>32,802</u>	<u>(32,802)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>176,724</u>	<u>(17,802)</u>	<u>158,922</u>
CHANGE IN NET POSITION	528,677	(27,861)	500,816
NET POSITION, JULY 01	<u>992,959</u>	<u>984,775</u>	<u>1,977,734</u>
NET POSITION, JUNE 30	<u>\$ 1,521,636</u>	<u>\$ 956,914</u>	<u>\$ 2,478,550</u>

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

TOWN OF COEBURN, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2019

	2019		
	Enterprise Fund		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from customers	\$ 754,373	\$ 680,176	\$ 1,434,549
Payments to suppliers	(244,740)	(340,535)	(585,275)
Payments to employees	(748,931)	(238,540)	(987,471)
Other receipts	409,113	550	409,663
Net Cash Provided (Used) By Operating Activities	<u>169,815</u>	<u>101,651</u>	<u>271,466</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfer from other funds	32,802	(32,802)	-
Increase (decrease) in customer deposits	4,231	-	4,231
Net Cash Provided (Used) By NonCapital Financing Activities	<u>37,033</u>	<u>(32,802)</u>	<u>4,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(301,510)	(10,498)	(312,008)
Proceeds from borrowings	83,177	-	83,177
Principal paid on debt	(10,505)	(73,351)	(83,856)
Contributions & grants	154,593	15,000	169,593
Interest paid on debt	(15,795)	-	(15,795)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(90,040)</u>	<u>(68,849)</u>	<u>(158,889)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	-	-	-
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
 Net Increase (Decrease) In Cash And Cash Equivalents	 116,808	 -	 116,808
CASH BALANCES, BEGINNING OF YEAR	151,571	-	151,571
CASH BALANCES, END OF YEAR	<u>\$ 268,379</u>	<u>\$ -</u>	<u>\$ 268,379</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 351,953	\$ (10,059)	\$ 341,894
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:			
Depreciation	148,777	116,842	265,619
CHANGES IN NET ASSETS AND LIABILITIES:			
(Increase) decrease in accounts receivable	(13,576)	(8,495)	(22,071)
(Increase) decrease in prepaid expense	12,031	-	12,031
Increase (decrease) in accounts payable and accrued expenses	7,975	3,363	11,338
Change in pension and OPEB plan deferrals & liabilities	(337,345)	-	(337,345)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ 169,815</u>	<u>\$ 101,651</u>	<u>\$ 271,466</u>
 RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:			
Current Assets-Cash and Cash Equivalents	\$ 123,602	\$ -	\$ 123,602
Restricted Assets-Cash and Cash Equivalents	<u>144,777</u>	<u>-</u>	<u>144,777</u>
 Total Cash and Cash Equivalents	 <u>\$ 268,379</u>	 <u>\$ -</u>	 <u>\$ 268,379</u>

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Coeburn, Virginia, is incorporated under and has all powers conferred upon towns under the Constitution of Virginia and all other laws of the Commonwealth. The Town is governed by a town council composed of five members, elected at large. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Town's financial statements include all the Town operations.

B. Financial Reporting Model

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34)*. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. The Town has implemented the requirements of GASB 34, beginning with the year ended June 30, 2004.

GASB 34 established requirements and the new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes the following components:

Management's Discussion and Analysis – GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is comparable to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities (i.e., reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter). Government-wide financial statements do not provide information by fund or account group, but distinguish between the Town's governmental activities, business-type activities and activities of its discretely presented component units on the Statement of Net Position and Statement of Activities. Significantly, the Town's Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the Town. Depreciation expense on the Town's capital assets, including infrastructure, is reflected in the government-wide Statement of Activities.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Model (continued)

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. The Town reports all capital assets, including infrastructure, in the government-wide Statement of Net Position and reports depreciation expense — the cost of “using up” capital assets — in the Statement of Activities. The net assets of the Town are reported in three categories — 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Town’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by specific 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. All taxes, and other items not properly included among program revenues, are reported instead as general revenues.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are not otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. The program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity.

Fund Statements – In addition to the government-wide financial statements, the Town reports fund financial statements which use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the Town’s Governmental fund types (i.e., General, and Proprietary) are similar to that previously presented in the Town’s financial statements. See note 1(c) for further discussion.

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

The government-wide financial statements, as well as the proprietary fund financial statements, report all their activities using the economic resources measurement focus and the accrual basis of accounting. 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.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In the first type, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the second type, monies are virtually unrestricted as to time of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental fund financial statements are reported using the current financial resource 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Reporting Entity considers revenues to be available if they are collected within 45 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the Town's electric, water and wastewater functions 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.

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

Real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year-end are reflected as deferred revenue. Sales and utility taxes, which are collected by the Commonwealth or utility companies by year-end and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the Town.

Licenses and permits, fines, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available. Unbilled accounts receivable are recorded in the Enterprise Funds when earned.

The governmental funds financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net assets (deficit) for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the governmental funds balance sheet. The assets and liability elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A summary reconciliation of the differences between net change in total fund balances as reflected on the governmental funds statement of revenues, expenditures and changes in fund balances, and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the governmental funds statement of revenues, expenditures and changes in fund balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the Town's enterprise funds are charges to customers for goods and services. Operating expenses for these funds include the cost of sales and service, administrative expenses and depreciation of capital assets. Any revenues and expenses not meeting this definition are reported as non- operating revenues and expenses.

The focus of the Reporting Model is on the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds, the operations of which are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and all of the individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town reports the following proprietary funds: Water Fund & Sewer Fund.

GASB Statement No. 20 requires proprietary activities to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB No. 20, management has elected not to apply FASB pronouncement issues after November 30, 1989.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

As set forth in the Town Charter, the Town Council adopts an annual budget for the General Fund and Enterprise Funds. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation is not funded. All annual appropriations lapse at fiscal year-end.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

F. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/building improvements	40
Utility transmission lines and mains	20-40
Furniture and equipment	10
Vehicles	5-7

G. Cash Equivalents

For the purposes of the combined statement of cash flows, the water fund and the sewer fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Total Columns on Combined Statements - Overview

The total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Pensions

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

J. Group Life Insurance

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

K. Fund Balances

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement No. 54) in February 2009 to provide new financial reporting categories for fund balances of governmental funds. In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Non-spendable includes amounts not in spendable form, such as prepaid expenses, inventories, or amounts legally or contractually required to remain intact (such as the principal of a permanent fund). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town of Coeburn's governing board. Assigned fund balance is constrained by the Town's governing board or an appointed decision-making authority's intent to be used for specific purposes.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town will adhere to the default policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, the Town will adhere to the default policy to spend committed resources first.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. CASH AND CASH EQUIVALENTS

Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *ET. Seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, bankers acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Credit Risk:

As required by state statute, the Town requires that commercial paper have a short-term debt rating of no less than "A-1" (or equivalent) from a nationally recognized statistical rating organization.

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

Miners Exchange Bank	100%
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Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2019, all of the Town's investments are held in a bank's trust department in the Town's name.

The above items are reflected in the financial statements as follows:

Deposits and investments:	<u>Primary Government</u>
Cash on hand	\$ 4,095
Deposits	<u>305,735</u>
TOTAL	<u>\$ 309,830</u>

Statement of net position:

Cash and cash equivalents	\$ 163,061
Restricted-Customer Deposits	122,596
Restricted-VRA Reserved	22,181
Restricted-Police Department	<u>1,992</u>
TOTAL	<u>\$ 309,830</u>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. *PROPERTY TAXES RECEIVABLE*

Property is assessed at its value and taxes attach as an enforceable lien on January 1. Tax levy information is received from Wise County, and tax bills are mailed in November. Taxes are due and payable on or before December 5 of the current year. All unpaid taxes become delinquent December 6 of the current year. The Town bills and collects its own property taxes and revenues are recognized when collected.

4. *DUE TO/FROM OTHER FUNDS*

The following is a summary of amounts due from and due to other funds at June 30, 2019:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water	\$ 487,512	\$ 0
Total General Fund	<u>487,512</u>	<u>0</u>
Water Fund:		
General Fund	<u>0</u>	<u>487,512</u>
Total Water Fund	<u>0</u>	<u>487,512</u>
Net Amount Due Between Funds	<u>\$ 487,512</u>	<u>\$ 487,512</u>

5. *DUE FROM OTHER GOVERNMENTAL UNITS*

Commonwealth of Virginia	
Local Sales Tax	\$ 24,905
Personal Property Tax Relief	17,806
Communications Tax	6,249
Rolling Stock Tax	4,372
Department of Health	1,500
Department of Motor Vehicles	<u>3,520</u>
Total Commonwealth of Virginia	<u>58,352</u>
Wise County	
Coal Road Taxes	8,136
Fines & Forfeitures	<u>840</u>
Total Wise County	<u>8,976</u>
Total Due from Other Governments	<u><u>\$ 67,328</u></u>

6. *CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES*

In accordance with GASB Statement 16, "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. The Town allows employees to accumulate limited vacation and sick pay amounts based on the number of years of service. These accumulated amounts are paid upon termination of employment per the Town's personnel policies.

As of June 30, 2019, the liability for accrued compensated absences was \$75,251. \$36,132 of this amount is applicable to governmental activities and \$39,119 to business-type activities. The amount expected to be paid from current resources is \$20,318.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. SURETY BONDS

The Town of Coeburn has \$50,000 blanket bond coverage with Aetna Life and Casualty Insurance Company.

8. LITIGATION

It is the opinion of the Town's management and legal counsel that there are not any outstanding or pending litigation claims or assessments against the Town which could have a material effect on the Town's financial statements.

9. 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 and so will not be recognized as an expense or expenditure until then. The Town currently has deferred outflows totaling \$34,688 as of June 30, 2019. Of this amount, \$27,924 represents deferred pension outflows and \$6,764 represents deferred outflows for other post-employment benefits.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has deferred inflows totaling \$140,319 as of June 30, 2019. Of this amount, \$109,533 represents the deferred pension inflows and \$13,000 represents deferred inflows for other post-employment benefits. The balance sheet for the general fund includes deferred inflows amounting to \$17,786 of uncollected tax billings not available for funding of current expenditures.

10. CAPITAL ASSETS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	<u>Amount</u>
General government	\$ 37,146
Public safety	55,560
Public works	24,782
Parks, recreation and culture	<u>18,205</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 135,693</u>
 Business-Type Activities:	
Water	\$ 148,776
Sewer	<u>116,842</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 265,618</u>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

10. CAPITAL ASSETS (continued)

The following is a summary of changes in capital assets:

<u>Governmental Activities</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, not depreciated				
Land	\$ 958,915	\$ -	\$ -	\$ 958,915
Total Capital Assets, not Depreciated	<u>958,915</u>	<u>-</u>	<u>-</u>	<u>958,915</u>
Capital assets, depreciated				
Buildings and improvements	2,204,943	11,300	-	2,216,243
Vehicles and equipment	<u>1,966,802</u>	<u>15,802</u>	<u>-</u>	<u>1,982,604</u>
Total Capital Assets, Depreciated	<u>4,171,745</u>	<u>27,102</u>	<u>-</u>	<u>4,198,847</u>
Less accumulated depreciation for				
Buildings and improvements	(1,397,271)	(58,132)	-	(1,455,403)
Vehicles and equipment	<u>(1,847,237)</u>	<u>(77,562)</u>	<u>-</u>	<u>(1,924,799)</u>
Total accumulated depreciation	<u>(3,244,508)</u>	<u>(135,694)</u>	<u>-</u>	<u>(3,380,202)</u>
Total Capital Assets, depreciated, net	<u>927,237</u>	<u>(108,592)</u>	<u>-</u>	<u>818,645</u>
Governmental activities capital assets, net	<u>\$ 1,886,152</u>	<u>\$ (108,592)</u>	<u>\$ -</u>	<u>\$ 1,777,560</u>
 <u>Business Type Activities</u>				
Capital assets, not depreciated				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Construction in Progress	<u>96,858</u>	<u>253,573</u>	<u>-</u>	<u>350,431</u>
Total Capital Assets, not Depreciated	<u>102,858</u>	<u>253,573</u>	<u>-</u>	<u>356,431</u>
Capital assets, depreciated				
Buildings and Improvements	\$ 7,054,178	\$ -	\$ -	\$ 7,054,178
Machinery and equipment	<u>242,237</u>	<u>58,435</u>	<u>-</u>	<u>300,672</u>
Total Capital Assets, Depreciated	<u>7,296,415</u>	<u>58,435</u>	<u>-</u>	<u>7,354,850</u>
Less accumulated depreciation for				
Buildings and Improvements	(2,908,008)	(256,716)	-	(3,164,724)
Machinery and equipment	<u>(233,608)</u>	<u>(8,902)</u>	<u>-</u>	<u>(242,510)</u>
Total Accumulated Depreciation	<u>(3,141,616)</u>	<u>(265,618)</u>	<u>-</u>	<u>(3,407,234)</u>
Total Capital Assets, Depreciated, Net	<u>4,154,799</u>	<u>(207,183)</u>	<u>-</u>	<u>3,947,616</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,257,657</u>	<u>\$ 46,390</u>	<u>\$ -</u>	<u>\$ 4,304,047</u>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

11. LONG-TERM DEBT

The following describes the long-term obligations of the Town of Coeburn for the year ended June 30, 2019:

- A. Powell Valley National Bank:** The Town of Coeburn acquired a project loan of \$300,000 through financing with Powell Valley National Bank dated June 22, 2018. The outstanding amount was to be repaid upon maturity at June 22, 2019 along with unpaid interest at 3.00%. The balance as of June 30, 2019 is **\$177,887**.
- B. Virginia Resources Authority:** The Town of Coeburn issued a general obligation and revenue bond for a Downtown Water Improvement Project through financing with Virginia Resources Authority dated December 21, 2012. The amount of \$432,150 is to be repaid over semi-annual payments of \$11,089.02, including interest of 3.00%. The balance as of June 30, 2019 is **\$381,309**.
- C. Virginia Resources Authority:** The Town of Coeburn issued a general obligation and water and sewer revenue bond for a Wastewater Treatment Plant Transition Project through financing with Virginia Resources Authority dated May 16, 2014. The amount of \$1,467,018 is to be repaid over semi-annual payments of \$36,675.45, at a 0% interest rate. The balance as of June 30, 2019 is **\$1,165,364**.

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year	Due Within More Than One Year
<u>Governmental Activities</u>						
Miner's Exchange Bank	-	2,000	(2,000)	-	-	-
Totals	-	2,000	(2,000)	-	-	-
<u>Business-Type Activities</u>						
Water:						
VA Resources Authority	391,811	-	(10,502)	381,309	10,614	370,695
Powell Valley National	94,713	83,177	(3)	177,887	177,887	-
Totals	486,524	83,177	(10,505)	559,196	188,501	370,695
Sewer:						
VA Resources Authority	1,238,714	-	(73,351)	1,165,364	73,351	1,092,013
Totals	1,238,714	-	(73,351)	1,165,364	73,351	1,092,013
Grand Totals	\$1,725,238	\$ 85,177	\$(85,856)	\$1,724,560	\$ 261,852	\$ 1,462,708

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

11. LONG-TERM DEBT (continued)

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

Bonds and Notes Payable			
Year Ended			
June 30,	Principal	Interest	Total
2020	\$ 261,851	\$ 11,564	\$ 273,415
2021	84,285	11,244	\$ 95,529
2022	84,616	10,913	\$ 95,529
2023	84,956	10,573	\$ 95,529
2024	85,307	10,222	\$ 95,529
2025-2029	432,179	45,464	\$ 477,643
2030-2034	442,683	34,962	\$ 477,645
2035-2039	153,218	22,773	\$ 175,991
2040-2044	95,464	8,624	\$ 104,088
2045-2049	-	-	\$ -
TOTALS	<u>\$ 1,724,559</u>	<u>\$ 166,339</u>	<u>\$ 1,890,898</u>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Coeburn, Virginia's Retirement Plan and the additions to/deductions from the Town'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.

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

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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

		<ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for the eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Town of Coeburn, Virginia employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at</p>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

<p>their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions</u> <u>Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
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TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: Not Applicable</p> <p>Political Subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Not Applicable</p> <p>Political Subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not Applicable</p> <p>Political Subdivision hazardous duty employees: Not Applicable</p>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

<p>Normal Retirement Age VRS: Age 65.</p> <p>Political Subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political Subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political Subdivision hazardous duty employees: Not applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political Subdivision hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivision hazardous duty employees: Same as Plan 1</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivision hazardous duty employees: Not Applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political Subdivision hazardous duty employees: 50 with at least five years of creditable service</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political Subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political Subdivision hazardous duty employees: Not Applicable</p>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

		<p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

<p>Program (VSDP).</p> <ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Purchase of Prior Service Same as Plan 1.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		<u>Defined Contribution Component:</u> Not applicable.
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Employees Covered by Benefit Terms – As of June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	21
Inactive Members:	
Vested Inactive Members	3
Non-vested Inactive Members	3
Active Elsewhere in VRS	<u>8</u>
Total Inactive Members	14
Active Members	<u>20</u>
Total Covered Employees	55

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 the Town by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2019 was 1.24% 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 the 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 \$8,674 and \$21,897 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

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 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Actuarial Assumptions – Public Safety Employees – 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 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of market value of assets for the last experience study we 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 COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

Mortality rates:

Largest 10 – Non-LEOS:

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.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Hazardous Duty

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

All Others (Non 10 Largest) – Hazardous Duty

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

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

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

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rate equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	\$2,835,229	\$3,142,842	\$(307,613)
Changes for the year:			
Service Cost	62,356		62,356
Interest	192,203		192,203
Changes in benefit terms	0		0
Changes of assumptions	0		0
Differences between expected and actual experience	7,211		7,211
Contributions – Employer		21,897	(21,897)
Contributions – Employee		31,823	(31,823)
Net Investment Income		229,640	(229,640)
Benefit payments, including refunds of employee contributions	(178,952)	(178,952)	0
Administrative Expenses		(2,047)	2,047
Other Changes	0	(201)	201
Net Changes	82,818	102,160	(19,342)
Balances at June 30, 2018	\$2,918,047	\$3,245,002	\$(326,955)

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town using the discount rate of 7.00% as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Town of Coeburn, Virginia's Net Pension Liability	\$9,353	\$(326,955)	\$(609,161)

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 \$(73,328). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,512	\$ 82,975
Changes in assumptions	5,738	-
Net differences between projected and actual earnings on plan investments	-	26,558
Employer contributions subsequent to the measurement date	8,674	-
Total	<u>\$ 27,924</u>	<u>\$ 109,533</u>

\$8,674 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 year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2020	\$ (47,409)
2021	(7,499)
2022	(32,556)
2023	(2,819)
2024	0
Thereafter	0

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. PENSION PLAN (continued)

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2019, the Town reported a payable of \$2,760 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

13. GROUP LIFE INSURANCE OPEB PROGRAM

Plan Description

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

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

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

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity was \$3,764 and \$3,531 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entities reported a liability of \$54,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00357% as compared to 0.00394% 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.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and Actual experience	\$ 3,000	\$ 1,000
Net difference between projected and Actual earnings on GLI OPEB Program investments	0	2,000
Changes in assumptions		2,000
Changes in proportion	0	8,000
Employer contributions subsequent to the Measurement date	<u>3,764</u>	<u>0</u>
Total	<u>\$ 6,764</u>	<u>\$ 13,000</u>

\$3,764 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:

FY 2020	\$ (3,000)
FY 2021	(3,000)
FY 2022	(2,000)
FY 2023	(1,000)
FY 2024	(1,000)
Thereafter	0

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.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

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

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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	Adjusted rates to better match experience
Salary Scale	No change

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Mortality rates-- SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates- JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (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 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%

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.

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (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 20%

Mortality rates—Largest Ten Locality Employers-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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 COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (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 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%

Net OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

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

TOWN OF COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a 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 GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, employers are assumed 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 COEBURN, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. GROUP LIFE INSURANCE OPEB PROGRAM (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:

	<u>1% Decrease (6.00%)</u>	<u>Current Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town of Coeburn's Share of the Group Life Insurance Program Net OPEB Liability	\$ 71,000	\$ 54,000	\$ 41,000

Group Life Insurance Program Fiduciary Net Position

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

Payables to the VRS Group Life Insurance OPEB Plan

As of June 30, 2019, the Town reported a payable of \$345 for the outstanding amount of contributions to the group life insurance OPEB plan required for the year ended June 30, 2019.

TOWN OF COEBURN, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

SCHEDULE 1
Page 1

	<u>Original Budget</u>	<u>Final Budget as Amended</u>	<u>GAAP Basis Actual</u>	<u>Variance with Final Budget</u>
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 152,297	\$ 152,297	\$ 164,114	\$ 11,817
Real and personal public service corporation property taxes	-	-	-	-
Personal property taxes	44,500	44,500	76,439	31,939
Penalties and interest	10,000	10,000	12,576	2,576
Total General Property Taxes	<u>206,797</u>	<u>206,797</u>	<u>253,129</u>	<u>46,332</u>
Other Local Taxes:				
Local sales and use taxes	100,000	100,000	96,117	(3,883)
Tobacco taxes	70,000	70,000	66,960	(3,040)
Utility taxes	80,000	80,000	77,874	(2,126)
Business licenses taxes	105,000	105,000	119,661	14,661
Franchise license taxes	8,000	8,000	18,928	10,928
Motor vehicle licenses	12,000	12,000	16,215	4,215
Bank stock taxes	41,000	41,000	31,312	(9,688)
Meals and lodging tax	243,500	243,500	252,512	9,012
Coal severance tax	10,000	10,000	30,441	20,441
Total Other Local Taxes	<u>669,500</u>	<u>669,500</u>	<u>710,019</u>	<u>40,519</u>
Permits, Privilege Fees And Regulatory Licenses				
	<u>500</u>	<u>500</u>	<u>245</u>	<u>(255)</u>
Fines and Forfeitures	<u>28,500</u>	<u>28,500</u>	<u>10,683</u>	<u>(17,817)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	-	-	-	-
Revenue from use of property	4,500	4,500	3,600	(900)
Total Revenue From Use of Money and Property	<u>4,500</u>	<u>4,500</u>	<u>3,600</u>	<u>(900)</u>
Charges For Services:				
Fire services	10,000	10,000	10,000	-
Charges for sanitation and waste removal	101,000	101,000	103,982	2,982
Other	13,500	13,500	15,947	2,447
Total Charges For Services	<u>124,500</u>	<u>124,500</u>	<u>129,929</u>	<u>5,429</u>
Miscellaneous Revenue	<u>1,700</u>	<u>1,700</u>	<u>7,909</u>	<u>6,209</u>
Total Revenue From Local Sources	<u>1,035,997</u>	<u>1,035,997</u>	<u>1,115,515</u>	<u>79,518</u>

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

TOWN OF COEBURN, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

SCHEDULE 1
Page 2

	<u>Original Budget</u>	<u>Final Budget as Amended</u>	<u>GAAP Basis Actual</u>	<u>Variance with Final Budget</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
ABC Profits	-	-	-	-
Mobile home titling taxes	1,000	1,000	3,636	2,636
Rolling stock taxes	5,000	5,000	8,763	3,763
Total Non-Categorical Aid	<u>6,000</u>	<u>6,000</u>	<u>12,398</u>	<u>6,398</u>
Other Categorical Aid:				
Law enforcement grant	49,014	49,014	50,592	1,578
Natural Gas Royalties	2,000	2,000	1,503	(497)
Other	-	-	85,715	85,715
Total Other Categorical Aid	<u>51,014</u>	<u>51,014</u>	<u>137,810</u>	<u>86,796</u>
Total Revenue From The Commonwealth	<u>57,014</u>	<u>57,014</u>	<u>150,208</u>	<u>93,194</u>
Revenue From The Federal Government:				
Categorical Aid:				
Highway Safety Grant	-	-	14,402	14,402
CDBG Housing Rehab Grant	-	-	16,976	16,976
Other	-	-	9,214	9,214
Total Non-Categorical Aid	<u>-</u>	<u>-</u>	<u>40,591</u>	<u>40,591</u>
Total Revenue From The Federal Government	<u>-</u>	<u>-</u>	<u>40,591</u>	<u>40,591</u>
Loan Proceeds	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
GRAND TOTAL - REVENUES- PRIMARY GOVERNMENT FUNDS	<u>\$ 1,093,011</u>	<u>\$ 1,093,011</u>	<u>\$ 1,308,314</u>	<u>\$ 215,303</u>

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

TOWN OF COEBURN, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

SCHEDULE 2
Page 1

	<u>Original Budget</u>	<u>Final Budget as Amended</u>	<u>GAAP Basis Actual</u>	<u>Variance with Final Budget</u>
PRIMARY GOVERNMENT				
GENERAL FUND:				
Administration:				
Salaries and wages	\$ 22,256	\$ 22,256	\$ 25,319	\$ (3,063)
Fringe benefits	9,639	9,639	7,624	2,015
Supplies	3,050	3,050	6,748	(3,698)
Printing	100	100	-	100
Legislative	5	5	-	5
General insurance	20,700	20,700	-	20,700
Telephone	500	500	900	(400)
Equipment	8,400	8,400	4,486	3,914
Travel , Training & Meals	-	-	-	-
Dues & association fees	2,200	2,200	1,960	240
Elections	-	-	-	-
Data Processing	3,650	3,650	-	3,650
Total Administration	<u>70,500</u>	<u>70,500</u>	<u>47,036</u>	<u>23,464</u>
Treasurer's Department:				
Salaries	20,000	20,000	20,186	(186)
Fringe benefits	9,293	9,293	8,559	734
Supplies	3,750	3,750	2,462	1,288
Printing	4,400	4,400	3,181	1,219
Postage	4,500	4,500	3,301	1,199
Telephone	450	450	1,534	(1,084)
Equipment	5,200	5,200	-	5,200
Travel, Training & Meals	200	200	-	200
Dues & Association Fees	340	340	170	170
Data Processing	3,194	3,194	5,097	(1,903)
Total Treasurer's Department	<u>51,327</u>	<u>51,327</u>	<u>44,490</u>	<u>6,838</u>
Professional Services:				
Professional Services Audit	7,500	7,500	9,000	(1,500)
Professional Services Accounting	8,000	8,000	5,289	2,711
Professional Services Legal	18,000	18,000	18,000	-
Professional Services A&E	1,000	1,000	-	1,000
Total Professional Services	<u>34,500</u>	<u>34,500</u>	<u>32,289</u>	<u>2,211</u>
General and Administrative Expenses	<u>156,327</u>	<u>156,327</u>	<u>123,814</u>	<u>32,513</u>

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

TOWN OF COEBURN, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

SCHEDULE 2
Page 2

	<u>Original Budget</u>	<u>Final Budget as Amended</u>	<u>GAAP Basis Actual</u>	<u>Variance with Final Budget</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Salaries and wages	\$ 286,435	\$ 286,435	\$ 296,539	\$ (10,104)
Fringes benefits	140,265	140,265	150,164	(9,899)
Supplies	4,500	4,500	8,892	(4,392)
Communications	-	-	-	-
Legal fees	500	500	-	500
Uniforms	3,000	3,000	4,033	(1,033)
Telephone	9,000	9,000	9,757	(757)
Fuel	14,000	14,000	14,214	(214)
Repairs & maintenance	4,000	4,000	6,054	(2,054)
Regional jail fees	500	500	-	500
Equipment	13,000	13,000	30,780	(17,780)
Travel and Training	750	750	1,247	(497)
Dues and association fees	3,600	3,600	8,290	(4,690)
Data processing	-	-	2,885	(2,885)
Projects and Equipment	-	-	19,223	(19,223)
Total Law Enforcement and Traffic Control	479,550	479,550	552,076	(72,526)
Fire and Rescue Services:				
Salaries and Wages	-	-	-	-
Line of Duty Act	-	-	-	-
Supplies	12,000	12,000	9,303	2,697
Insurance	14,000	14,000	13,176	824
Equipment	6,000	6,000	85,715	(79,715)
State Fire Fund	10,000	10,000	20,325	(10,325)
Total Fire and Rescue Services	42,000	42,000	128,519	(86,519)
Total Public Safety	521,550	521,550	680,595	(159,045)
Public Works:				
Buildings & Grounds:				
Salaries and wages	77,596	77,596	51,322	26,274
Fringe benefits	76,369	76,369	86,142	(9,773)
Contract services	-	-	-	-
Operating Expenses	21,000	21,000	43,119	(22,119)
Street lights	52,000	52,000	48,416	3,584
Shop	7,500	7,500	22,602	(15,102)
Community Center	19,500	19,500	12,854	6,647
Community Services Building	13,000	13,000	14,359	(1,359)
Town Hall	5,000	5,000	5,359	(359)
Parks & recreation	35,000	35,000	24,154	10,846
Repair & Replacement	-	-	-	-
Stone & Asphalt	-	-	3,426	(3,426)
Contingency	-	-	-	-
Total Buildings & Grounds	306,965	306,965	311,753	(4,788)

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

TOWN OF COEBURN, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

SCHEDULE 2
Page 3

	<u>Original Budget</u>	<u>Final Budget as Amended</u>	<u>GAAP Basis Actual</u>	<u>Variance with Final Budget</u>
Sanitation and Waste Removal:				
Salaries and wages	30,472	30,472	42,550	(12,078)
Fringe benefits	20,347	20,347	32,292	(11,945)
Supplies	9,000	9,000	11,949	(2,949)
Operations	1,000	1,000	314	686
Repairs & Maintenance	10,000	10,000	14,418	(4,418)
Contract services	-	-	-	-
Total Sanitation and Waste Removal	<u>70,819</u>	<u>70,819</u>	<u>101,523</u>	<u>(30,704)</u>
Total Public Works	<u>377,784</u>	<u>377,784</u>	<u>413,276</u>	<u>(35,492)</u>
Parks, Recreation and Cultural:				
Salaries and wages	13,000	13,000	13,641	(641)
Fringe benefits	2,950	2,950	2,415	535
Supplies	6,500	6,500	9,953	(3,453)
Miscellaneous	-	-	-	-
Projects and Equipment	2,200	2,200	12,541	(10,341)
Total Parks and Recreation	<u>24,650</u>	<u>24,650</u>	<u>38,550</u>	<u>(13,900)</u>
Community Development:				
Planning & Community Development:				
Lay's Hardware	-	-	-	-
WiseJAMS Program	-	-	-	-
Civic activities	7,500	7,500	7,500	-
Library	5,000	5,000	5,000	-
Airport commission	100	100	200	(100)
Miscellaneous	100	100	-	100
Total Community Development	<u>12,700</u>	<u>12,700</u>	<u>12,700</u>	<u>-</u>
Grant Expenses:				
Love Works Project Grant Expense	-	-	-	-
CDBG Housing Rehab Grant Expense	-	-	16,976	(16,976)
VML Risk Mgmt Grant Expense	-	-	-	-
Community Video Grant	-	-	-	-
Total Grant Expense	<u>-</u>	<u>-</u>	<u>16,976</u>	<u>(16,976)</u>
Police Restitution/Christmas Fund Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:				
Principal retirement	-	-	2,000	(2,000)
Interest	-	-	54	(54)
Total Debt Service	<u>-</u>	<u>-</u>	<u>2,054</u>	<u>(2,054)</u>
GRAND TOTAL - EXPENDITURES- PRIMARY GOVERNMENT FUNDS	<u>\$ 1,093,011</u>	<u>\$ 1,093,011</u>	<u>\$ 1,287,964</u>	<u>\$ (194,953)</u>

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

TOWN OF COEBURN, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2019

Schedule of Changes in the Town of Coeburn, Virginia's
Net Pension Liability and Related Ratios

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 62,356	\$ 66,648	\$ 67,774	\$ 62,369	\$ 29,849
Interest	192,203	200,776	190,058	202,741	199,519
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	7,211	(232,479)	71,007	(261,479)	-
Changes in assumptions	-	16,076	-	-	-
Benefit Payments, including refunds of employee contributions	(178,952)	(168,049)	(183,396)	(186,241)	(180,426)
Net change in total pension liability	82,818	(117,028)	145,443	(182,610)	48,942
Total pension liability-beginning	2,835,229	2,952,257	2,806,814	2,989,424	2,940,482
Total pension liability-ending (a)	\$ 2,918,047	\$ 2,835,229	\$ 2,952,257	\$ 2,806,814	\$ 2,989,424
Plan fiduciary net position					
Contributions-employer	\$ 21,897	\$ 24,954	\$ 106,017	\$ 111,484	\$ 30,323
Contributions-employee	31,823	34,546	34,745	64,785	18,612
Net investment income	229,640	348,176	49,770	128,223	387,976
Benefit Payments, including refunds of employee contributions	(178,952)	(168,049)	(183,396)	(186,241)	(180,426)
Administrative expense	(2,047)	(2,075)	(1,797)	(1,739)	(2,184)
Other	(201)	(307)	(21)	(28)	20
Net change in plan fiduciary net position	102,160	237,245	5,318	116,484	254,321
Plan fiduciary net position-beginning	3,142,842	2,905,597	2,900,279	2,783,795	2,529,474
Plan fiduciary net position-ending (b)	\$ 3,245,002	\$ 3,142,842	\$ 2,905,597	\$ 2,900,279	\$ 2,783,795
Town of Coeburn, Virginia's					
Net pension liability-ending (a) - (b)	\$ (326,955)	\$ (307,613)	\$ 46,660	\$ (93,465)	\$ 205,629
Plan fiduciary net position as a percentage of the total					
Pension liability	111.2%	110.8%	98.4%	103.3%	93.1%
Covered payroll	\$ 649,915	\$ 720,016	\$ 745,310	\$ 779,769	\$ 829,238
Town of Coeburn, Virginia's net pension liability					
As a percentage of covered payroll	-50.3%	-42.7%	6.3%	-12.0%	24.8%

TOWN OF COEBURN
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2019

Schedule of Employer Contributions
For the Year Ended June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2018	21,897	21,897	0	649,915	.034%
2017	21,897	21,897	0	720,016	.030%
2016	106,017	106,017	0	745,310	14.22%
2015	111,484	111,484	0	779,769	14.30%
2014	113,793	113,793	0	829,238	13.7%

TOWN OF COEBURN, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

Largest 10 – Non-Hazardous Duty

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

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

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

Largest 10 – Hazardous Duty

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

TOWN OF COEBURN, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

All Others (Non 10 Largest) – Hazardous Duty

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

TOWN OF COEBURN, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2019

**Schedule of Town of Coeburn, VA's Share of
Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017**

					2018		2017
Employer's Proportion of the Net GLI OPEB					0.00394%		0.00357%
Liability (Asset)							
Employer's Proportionate Share of the Net					\$ 54,000		\$ 59,000
GLI OPEB Liability (Asset)							
Employer's Covered Payroll					\$ 649,915		\$ 720,016
Employer's Proportionate Share of the Net							
GLI OPEB Liability (Asset) as a Percentage					8.31%		8.19%
of its Covered Payroll							
Plan Fiduciary Net Position as a Percentage					51.22%		48.86%
of the Total GLI OPEB Liability							

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

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

TOWN OF COEBURN, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2019

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	3,764	3,764	0	649,915	0.5%
2018	3,531	3,531	0	720,016	0.5%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

TOWN OF COEBURN, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

TOWN OF COEBURN, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

VaLORS Employees

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

JRS Employees

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

Largest Ten Locality Employers-General Employees

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

Non-Largest Ten Locality Employers-General Employees

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

TOWN OF COEBURN, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Largest Ten Locality Employers—Hazardous Duty Employees

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

Non-Largest Ten Locality Employers—Hazardous Duty Employees

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

TOWN OF COEBURN, VIRGINIA
Pledged Revenue Coverage
Last Ten Fiscal Years*

SCHEDULE 5

Water and Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Gross revenues</u>	<u>Less operating expenses*</u>	<u>Net revenues available for debt service</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2019	2,035,876	(1,258,771)	\$ 777,105	83,856	10,671	822%
2018	1,246,082	(1,493,441)	\$ (247,359)	122,119	11,897	-185%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

**Net of depreciation*