

**TOWN OF DUMFRIES, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

TOWN OF DUMFRIES, VIRGINIA

PRINCIPAL OFFICIALS

TOWN COUNCIL AND EXECUTIVE OFFICERS

Mayor

Derrick R. Wood

Vice-Mayor

Monae S. Nickerson

Town Manager

Keith Rogers, Jr.

Town Treasurer

Retta Ladd

Chief of Police

Nicholas R. Esposito

Town Attorney

Kristi M. Caturano

Town Clerk

Dawn Hobgood, CMC

COUNCIL MEMBERS

Charles C. Brewer

Melva P. Willis

Selonia B. Miles

Cydny A. Neville

Brian K. Fields

---

TOWN OF DUMFRIES, VIRGINIA  
Financial Report  
For the Year Ended June 30, 2019

---

Table of Contents

|   | Page  |
|---|-------|
| Independent Auditors' Report  | 1-3   |
| Management's Discussion and Analysis  | 4-9   |
| <u>Basic Financial Statements</u>   |       |
| <u>Government-wide Financial Statements</u>   |       |
| Exhibit 1 Statement of Net Position   | 10    |
| Exhibit 2 Statement of Activities   | 11    |
| <u>Fund Financial Statements</u>  |       |
| Exhibit 3 Balance Sheet—Governmental Funds  | 12    |
| Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  | 13    |
| Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds  | 14    |
| Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Funds | 15    |
| Notes to Financial Statements   | 16-72 |
| <u>Required Supplementary Information</u>   |       |
| Exhibit 7 Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—General Fund   | 73    |
| Exhibit 8 Schedule of Changes in Net Pension Liability (Asset) and related Ratios   | 74    |
| Exhibit 9 Schedule of Employer Contributions - Pension Plan   | 75    |
| Exhibit 10 Notes to Required Supplementary Information - Pension Plan   | 76    |
| Exhibit 11 Schedule of Employer's Share of Net OPEB Liability - Line of Duty Act Program  | 77    |
| Exhibit 12 Schedule of Employer Contributions - Line of Duty Act Program  | 78    |
| Exhibit 13 Notes to Required Supplementary Information - Line of Duty Act Program   | 79    |
| Exhibit 14 Schedule of Employer's Share of Net OPEB Liability - Group Life Insurance Program  | 80    |
| Exhibit 15 Schedule of Employer Contributions - Group Life Insurance Program  | 81    |
| Exhibit 16 Notes to Required Supplementary Information - Group Life Insurance Program   | 82    |

---

TOWN OF DUMFRIES, VIRGINIA  
Financial Report  
For the Year Ended June 30, 2019

---

Table of Contents

|   | Page  |
|---|-------|
| <u><i>Required Supplementary Information</i></u>  |       |
| Exhibit 17 Schedule of Changes in the Net OPEB Liability and Related Ratios - Health Insurance Credit Program   | 83    |
| Exhibit 18 Schedule of Employer Contributions - Health Insurance Credit Program   | 84    |
| Exhibit 19 Notes to Required Supplementary Information - Health Insurance Credit Program  | 85    |
| Exhibit 20 Schedule of Employer's Share of Net OPEB Liability - Virginia Local Disability Program   | 86    |
| Exhibit 21 Schedule of Employer Contributions - Virginia Local Disability Program   | 87    |
| Exhibit 22 Notes to Required Supplementary Information - Virginia Local Disability Program  | 88    |
| <u><i>Other Supplementary Information</i></u>   |       |
| <u>Supporting Schedule</u>  |       |
| Schedule 1 Schedule of Revenues - Budget and Actual—Governmental Funds  | 89-90 |
| <u>Statistical Information</u>  |       |
| Table 1 General Fund Expenditures by Function—Last Ten Fiscal Years   | 91    |
| Table 2 General Fund Revenues by Source—Last Ten Fiscal Years   | 92    |
| Table 3 Real Property Tax Levies and Collections—Last Ten Fiscal Years  | 93    |
| Table 4 Assessed Value of Taxable Property—Last Ten Fiscal Years  | 94    |
| Table 5 Property Tax Rates—Last Ten Fiscal Years  | 95    |
| Table 6 Legal Debt Margin   | 96    |
| Table 7 Miscellaneous Statistics—Last Ten Fiscal Years  | 97    |
| <u>Compliance</u>   |       |
| 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 <i>Government Auditing Standards</i> | 98-99 |
| Schedule of Findings and Responses  | 100   |



---

**Independent Auditors' Report**

---

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

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinions***

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

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement Nos. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding located on pages 4-9, and 73-88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### ***Supplementary and Other Information***

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

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

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

## Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2019 on our consideration of Town of Dumfries, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Dumfries, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dumfries, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
November 29, 2019

## Town of Dumfries Management's Discussion and Analysis

The following discussion provides an overview and analysis of Town of Dumfries's (Town) financial activities for the fiscal year ended June 30, 2019. Please read this information in conjunction with the Town's audited financial statements as reported herein.

### Financial Highlights

- The assets and deferred outflows of resources of the Town of Dumfries, on a government-wide basis exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,055,521 (net position). Of that, \$2,864,630 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The total assets of the Town's governmental activities for fiscal year ended June 30, 2019 were \$19,188,045.
- For the year ended June 30, 2019, the Town of Dumfries's governmental activities reported a positive change in net position of \$821,676.
- The Town's revenue bonds decreased by \$180,000 due to debt repayment and the Town's compensated absences liabilities increased by \$18,163.
- Net pension liability as of June 30, 2019 was \$672,194 and there was a net pension liability at June 30, 2018 of \$1,066,334 resulting in a net decrease in liability of \$391,140.
- Net OPEB liabilities as of June 30, 2019 was \$296,000 and there was a net OPEB Liabilities at June 30, 2018 of \$219,153 resulting in a net increase in liability of \$76,847.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic 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 *statement of net position* presents all of the Town's permanent accounts or assets, deferred outflows, liabilities, deferred inflows and the resulting net position. The difference between assets (including deferred outflows of resources) and liabilities (including deferred inflows of resources) is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the Town.

The *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 events giving rise to the changes occur, *regardless of the timing of related cash flows*. Thus, some transactions reported in this statement will result in cash flows in future fiscal periods.

## Government-wide financial statements (Continued)

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 general government administration, public safety, public works, community development, and interest paid on long-term debt.

## Fund financial statements

A 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only has governmental funds.

*Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on the *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

## Notes to the Financial Statements

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

## Other information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information including budgetary comparisons for the general fund and progress in funding its obligation to provide pension and other post-employment benefits to its employees.

## Government-wide Financial Analysis

The following table reflects the condensed Summary of Net Position as presented in the government-wide financial statements:

| Statement of Net Position                             |                         |               |  |
|---|-------------------------|---------------|--|
| As of June 30, 2019 and 2018                          |                         |               |  |
|   | Governmental Activities |               |  |
|   | 2019                    | 2018          |  |
| Current and other assets                              | \$ 5,682,349            | \$ 5,474,316  |  |
| Capital assets  | 13,197,304              | 13,137,882    |  |
| Total assets  | \$ 18,879,653           | \$ 18,612,198 |  |
| Deferred outflows of resources                        | \$ 308,392              | \$ 258,775    |  |
| Total assets and deferred outflows                    | \$ 19,188,045           | \$ 18,870,973 |  |
| Current and other liabilities                         | \$ 1,012,183            | \$ 957,654    |  |
| Long-term liabilities                                 | 10,465,479              | 11,110,811    |  |
| Total liabilities                                     | \$ 11,477,662           | \$ 12,068,465 |  |
| Deferred inflows of resources                         | \$ 654,862              | \$ 568,663    |  |
| Net position:   |                         |               |  |
| Net investment in capital assets                      | \$ 4,190,891            | \$ 3,785,263  |  |
| Unrestricted  | 2,864,630               | 2,448,582     |  |
| Total net position                                    | \$ 7,055,521            | \$ 6,233,845  |  |
| Total liabilities, deferred inflows, and net position | \$ 19,188,045           | \$ 18,870,973 |  |

The net position for the Town totals \$7,055,521, which is an increase of \$821,676 (7%) under the previous fiscal year. The individual revenue and expense categories of the governmental activities remained relatively level as compared with the prior year with the following exceptions. An increase in revenue attributable primarily due to lease revenue generated by the Town municipal building, and a decrease of capital grants of \$186,941 due to state road grants and highway planning and construction aid.

## Government-wide Financial Analysis (Continued)

The following table shows the revenue and expenses of government-wide activities:

| Statement of Activities                                      |                         |              |
|--|-------------------------|--------------|
| For the Year Ended June 30, 2019 and 2018                    |                         |              |
|  | Governmental Activities |              |
|  | 2019                    | 2018         |
| Revenues:  |                         |              |
| Program Revenues:  |                         |              |
| Charges for services   | \$ 622,078              | \$ 417,382   |
| Operating grants & contributions                             | 443,866                 | 448,808      |
| Capital grants & contributions                               | 22,991                  | 209,932      |
| General Revenues:  |                         |              |
| Real estate taxes  | 882,778                 | 844,725      |
| Other local taxes  | 2,257,566               | 2,264,138    |
| Miscellaneous  | 132,747                 | 12,604       |
| Unrestricted investment earnings                             | 678,799                 | 41,334       |
| Grants and contributions not restricted to specific programs | 241,373                 | 272,913      |
| Gain on disposal of capital asset                            | -                       | 41,438       |
| Total revenues   | \$ 5,282,198            | \$ 4,553,274 |
| Expenses:  |                         |              |
| Administration   | \$ 1,213,774            | \$ 1,211,175 |
| Public safety  | 1,338,540               | 1,367,025    |
| Public works   | 1,221,731               | 1,191,246    |
| Community development  | 319,004                 | 229,624      |
| Interest on long-term debt                                   | 367,473                 | 394,217      |
| Total expenses   | \$ 4,460,522            | \$ 4,393,287 |
| Change in net position                                       | \$ 821,676              | \$ 159,987   |
| Net position beginning of year                               | 6,233,845               | 6,073,858    |
| Net position end of year                                     | \$ 7,055,521            | \$ 6,233,845 |

## Government-wide Financial Analysis (Continued)

Governmental Activities. For fiscal year 2019, the real estate tax rate was \$0.19 per \$100 of assessed value. Capital grants and contributions decreased as compared to FY18 by \$186,941. This reduction was due to a decrease in VDOT roads grants received in the fiscal year.

### Financial Analysis of the Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirement. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,320,426, an increase of \$150,209 in comparison with the prior year. Of this total amount, \$3,932,253 or 91% constitutes the unassigned fund balance. The remaining \$387,572 consists of the restricted, committed and assigned fund balances designated for various items.

The General Fund is the Town's primary operating fund. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,932,253.

### General Fund Budgetary Highlights

There were no amendments to the General Fund budget during the year ended June 30, 2019.

### Capital Assets and Debt Administration

**Capital assets:** The Town's investment in capital assets for its governmental activities totaled \$4,190,891, net of accumulated depreciation. This is an increase of \$405,628 from the previous year. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. This increase is primarily due to increases of construction in progress related to roads projects and repayment of related long-term debt.

Additional details on the Town's capital assets can be found in Note 4 of the Notes to Financial Statements.

**Long-term obligations:** At the end of the current fiscal year, the Town had total outstanding long-term obligations of \$10,465,479. The decrease of \$645,332 from the prior year primarily represents the payment of debt service offset by a net decrease in the net pension liability. Debt service repayments during the year totaled \$341,263. The liability balances for compensated absences increased by \$18,163, the net pension liability decreased \$394,140 and net OPEB liabilities increased by \$76,847.

For towns, the Commonwealth of Virginia limits the amount of debt outstanding to 10% of the locality's assessed value of real property. The Town's outstanding debt is significantly below this limitation representing the Town's historically conservative debt borrowing policy and management approach.

Additional details on the Town's long-term obligations can be found in Notes 6 of the Notes to Financial Statements.

## Economic Factors

- Economic Vitality is one of the primary areas of focus for the Town of Dumfries. As a smaller locality, there is a finite amount of land available for new construction and, as a result, there continues to be a need to encourage redevelopment options within the Town limits. The Town currently has multiple major development projects underway that will increase the local housing stock and redevelop historically underutilized parcels. These projects will also bring additional commercial business to the Town.
- The Route 1 widening project continues to progress. Funding remains to be the controlling factor and that issue is being dealt with on several different levels. Once completed, the project will result in all lanes of Route 1 through the Town of Dumfries being located where the northbound only lanes currently run. That will allow the present southbound lanes to revert to a “Main Street” setting that will encourage development and redevelopment. The Town has engaged planning consultants that will conduct visioning exercises for how this new “Main Street” will look. This feedback will also inform updated to the Town Comprehensive Plan and Town Zoning Ordinance. These updated documents will work to encourage future economic development.

## Requests for Information

This financial report is designed to provide a general overview of the Town’s financial condition as of fiscal year ended June 30, 2019. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Dumfries, 17755 Main Street, Dumfries, VA 22026.

## Basic Financial Statements

*Government-wide Financial Statements*

Statement of Net Position  
June 30, 2019

|  | Primary<br>Government<br>Governmental<br>Activities |
|--|---|
| <b>ASSETS</b>                                      |   |
| Cash and cash equivalents                          | \$ 4,458,381  |
| Receivables (net of allowance for uncollectibles): |   |
| Taxes receivable                                   | 481,699   |
| Accounts receivable                                | 279,392   |
| Due from other governmental units                  | 75,542  |
| Restricted assets:                                 |   |
| Cash and cash equivalents                          | 383,344   |
| Net OPEB asset                                     | 3,390   |
| Capital assets (net of accumulated depreciation):  |   |
| Land   | 1,051,765   |
| Buildings and improvements                         | 5,074,249   |
| Machinery and equipment                            | 331,394   |
| Infrastructure                                     | 5,990,326   |
| Construction in progress                           | 749,570   |
| Total assets                                       | \$ 18,879,653                                       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |   |
| Pension related items                              | \$ 189,784  |
| OPEB related items                                 | 118,608   |
| Total deferred outflows of resources               | \$ 308,392  |
| <b>LIABILITIES</b>                                 |   |
| Accounts payable                                   | \$ 41,013   |
| Accrued liabilities                                | 84,090  |
| Escrow and other deposits                          | 152,096   |
| Accrued interest payable                           | 125,046   |
| Unearned revenue                                   | 609,938   |
| Long-term liabilities:                             |   |
| Due within one year                                | 363,270   |
| Due in more than one year                          | 10,102,209  |
| Total liabilities                                  | \$ 11,477,662                                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |   |
| Pension related items                              | \$ 162,066  |
| OPEB related items                                 | 56,798  |
| Deferred revenue - property taxes                  | 435,998   |
| Total deferred inflows of resources                | \$ 654,862  |
| <b>NET POSITION</b>                                |   |
| Net investment in capital assets                   | \$ 4,190,891  |
| Unrestricted                                       | 2,864,630   |
| Total net position                                 | \$ 7,055,521  |

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

Statement of Activities  
For the Year Ended June 30, 2019

| Functions/Programs   | Expenses     | Program Revenues |               |               | Net (Expense) Revenue and |
|--|--------------|------------------|---------------|---------------|---------------------------|
|  |              | Charges for      | Operating     | Capital       | Changes in Net Position   |
|  |              | Services         | Grants and    | Grants and    | Primary Government        |
|  |              |                  | Contributions | Contributions | Governmental              |
|  |              |                  |               |               | Activities                |
| <b>PRIMARY GOVERNMENT:</b>                                   |              |                  |               |               |                           |
| Governmental activities:                                     |              |                  |               |               |                           |
| General government administration                            | \$ 1,215,964 | \$ 79,335        | \$ -          | \$ -          | \$ (1,136,629)            |
| Public safety  | 1,278,067    | -                | 161,639       | 22,991        | (1,093,437)               |
| Public works   | 1,223,912    | -                | 282,227       | -             | (941,685)                 |
| Community development  | 319,570      | 542,743          | -             | -             | 223,173                   |
| Interest on long-term debt                                   | 423,009      | -                | -             | -             | (423,009)                 |
| Total governmental activities                                | \$ 4,460,522 | \$ 622,078       | \$ 443,866    | \$ 22,991     | \$ (3,371,587)            |
| General revenues:  |              |                  |               |               |                           |
| General property taxes                                       |              |                  |               |               | \$ 882,778                |
| Local sales and use taxes                                    |              |                  |               |               | 403,763                   |
| Consumers' utility taxes                                     |              |                  |               |               | 195,047                   |
| Business licenses  |              |                  |               |               | 391,997                   |
| Restaurant food taxes  |              |                  |               |               | 691,409                   |
| Transient occupancy taxes                                    |              |                  |               |               | 176,358                   |
| Cigarette tax  |              |                  |               |               | 191,957                   |
| Other local taxes  |              |                  |               |               | 207,335                   |
| Unrestricted revenues from use of money and property         |              |                  |               |               | 678,499                   |
| Miscellaneous  |              |                  |               |               | 132,747                   |
| Grants and contributions not restricted to specific programs |              |                  |               |               | 241,373                   |
| Total general revenues                                       |              |                  |               |               | \$ 4,193,263              |
| Change in net position                                       |              |                  |               |               | \$ 821,676                |
| Net position - beginning                                     |              |                  |               |               | 6,233,845                 |
| Net position - ending  |              |                  |               |               | \$ 7,055,521              |

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

## Fund Financial Statements

Balance Sheet  
Governmental Funds  
June 30, 2019

|   | General             | Capital<br>Projects | Total               |
|---|---------------------|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |                     |
| Cash and cash equivalents   | \$ 4,458,180        | \$ 201              | \$ 4,458,381        |
| Receivables (net of allowance<br>for uncollectibles):                 |                     |                     |                     |
| Taxes receivable  | 481,699             | -                   | 481,699             |
| Accounts receivable   | 279,392             | -                   | 279,392             |
| Due from other governmental units                                     | 75,542              | -                   | 75,542              |
| Prepaid items   | 601                 | -                   | 601                 |
| Restricted assets:  |                     |                     |                     |
| Temporarily restricted:   |                     |                     |                     |
| Cash and cash equivalents   | 383,344             | -                   | 383,344             |
| Total assets  | <u>\$ 5,678,758</u> | <u>\$ 201</u>       | <u>\$ 5,678,959</u> |
| <b>LIABILITIES</b>  |                     |                     |                     |
| Accounts payable  | \$ 41,013           | \$ -                | \$ 41,013           |
| Accrued liabilities   | 84,090              | -                   | 84,090              |
| Escrow and other deposits   | 152,096             | -                   | 152,096             |
| Unearned revenue  | 609,938             | -                   | 609,938             |
| Total liabilities   | <u>\$ 887,137</u>   | <u>\$ -</u>         | <u>\$ 887,137</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                     |                     |                     |
| Unavailable revenue - property taxes                                  | \$ 471,396          | \$ -                | \$ 471,396          |
| Total deferred inflows of resources                                   | <u>\$ 471,396</u>   | <u>\$ -</u>         | <u>\$ 471,396</u>   |
| <b>FUND BALANCES</b>  |                     |                     |                     |
| Nonspendable:   |                     |                     |                     |
| Prepaid items   | \$ 601              | \$ -                | \$ 601              |
| Restricted:   |                     |                     |                     |
| Asset forfeiture  | 468                 | -                   | 468                 |
| Courthouse maintenance funds  | 3,559               | -                   | 3,559               |
| Debt reserve funds  | 383,344             | -                   | 383,344             |
| Assigned:   |                     |                     |                     |
| Capital projects  | -                   | 201                 | 201                 |
| Unassigned:   |                     |                     |                     |
| General fund  | 3,932,253           | -                   | 3,932,253           |
| Total fund balances   | <u>\$ 4,320,225</u> | <u>\$ 201</u>       | <u>\$ 4,320,426</u> |
| Total liabilities, deferred inflows of<br>resources and fund balances | <u>\$ 5,678,758</u> | <u>\$ 201</u>       | <u>\$ 5,678,959</u> |

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

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2019

---

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

|  |    |                  |                         |
|--|----|------------------|-------------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds   | \$ | 4,320,426        |                         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                    |    |                  | 13,197,304              |
| Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.                   |    |                  |                         |
| Unavailable revenue - property taxes   | \$ | 35,398           |                         |
| Net OPEB asset   |    | <u>3,390</u>     | 38,788                  |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.       |    |                  |                         |
| Pension related items  | \$ | 189,784          |                         |
| OPEB related items   |    | <u>118,608</u>   | 308,392                 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.                            |    |                  | (125,046)               |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. |    |                  |                         |
| Bonds payable  | \$ | (9,145,000)      |                         |
| Bond premium   |    | (84,394)         |                         |
| Capital lease  |    | (160,564)        |                         |
| Compensated absences   |    | (107,327)        |                         |
| Net pension liability  |    | (672,194)        |                         |
| Net OPEB liabilities   |    | <u>(296,000)</u> | (10,465,479)            |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.                   |    |                  |                         |
| Pension related items  | \$ | (162,066)        |                         |
| OPEB related items   |    | <u>(56,798)</u>  | <u>(218,864)</u>        |
| Net position of governmental activities  | \$ |                  | <u><u>7,055,521</u></u> |

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

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2019

|  | General      | Capital<br>Projects | Total        |
|--|--------------|---------------------|--------------|
| <b>REVENUES</b>  |              |                     |              |
| General property taxes                                       | \$ 868,244   | \$ -                | \$ 868,244   |
| Other local taxes  | 2,257,866    | -                   | 2,257,866    |
| Permits, privilege fees,<br>and regulatory licenses          | 542,743      | -                   | 542,743      |
| Fines and forfeitures  | 79,335       | -                   | 79,335       |
| Revenue from the use of<br>money and property                | 678,495      | 4                   | 678,499      |
| Miscellaneous  | 132,747      | -                   | 132,747      |
| Intergovernmental:   |              |                     |              |
| Commonwealth   | 703,739      | -                   | 703,739      |
| Federal  | 4,491        | -                   | 4,491        |
| Total revenues   | \$ 5,267,660 | \$ 4                | \$ 5,267,664 |
| <b>EXPENDITURES</b>  |              |                     |              |
| Current:   |              |                     |              |
| General government administration                            | \$ 1,179,368 | \$ -                | \$ 1,179,368 |
| Public safety  | 1,258,438    | -                   | 1,258,438    |
| Public works   | 1,174,072    | -                   | 1,174,072    |
| Community development  | 305,150      | -                   | 305,150      |
| Capital projects   | 454,461      | -                   | 454,461      |
| Debt service:  |              |                     |              |
| Principal retirement   | 341,263      | -                   | 341,263      |
| Interest and other fiscal charges                            | 404,703      | -                   | 404,703      |
| Total expenditures   | \$ 5,117,455 | \$ -                | \$ 5,117,455 |
| Excess (deficiency) of revenues over<br>(under) expenditures | \$ 150,205   | \$ 4                | \$ 150,209   |
| Net change in fund balances                                  | \$ 150,205   | \$ 4                | \$ 150,209   |
| Fund balances - beginning                                    | 4,170,020    | 197                 | 4,170,217    |
| Fund balances - ending                                       | \$ 4,320,225 | \$ 201              | \$ 4,320,426 |

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

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
For the Year Ended June 30, 2019

---

|  |                  | <u>Governmental<br/>Funds</u> |
|--|------------------|-------------------------------|
| Amounts reported for governmental activities in the statement of activities are different because:   |                  |                               |
| Net change in fund balances - total governmental funds   | \$               | 150,209                       |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation or vice versa in the current period.  |                  |                               |
| Capital outlay   | \$ 579,686       |                               |
| Depreciation expense   | <u>(520,263)</u> | 59,423                        |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                  |                               |
| Property taxes   |                  | 14,534                        |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. |                  |                               |
| Principal repayments   |                  | 341,263                       |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.   |                  |                               |
| Change in compensated absences   | \$ (18,163)      |                               |
| Pension expense  | 295,528          |                               |
| OPEB expense   | (2,812)          |                               |
| Amortization of bond premium   | 4,939            |                               |
| Change in interest payable   | <u>(23,245)</u>  | 256,247                       |
| Change in net position of governmental activities  | \$               | <u><u>821,676</u></u>         |

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

## TOWN OF DUMFRIES, VIRGINIA

### Notes of Financial Statements June 30, 2019

---

#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

---

##### Narrative Profile:

Town of Dumfries received its charter in 1749. The Town has a population of 5,234 and a land area of 1.63 square miles.

The Town is governed under the Council-Manager form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, and community development.

The financial statements of Town of Dumfries, Virginia have been prepared in conformity with specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Town's accounting policies are described below.

##### A. Financial Reporting Entity

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

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

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 government'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).

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

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

---

A. Financial Reporting Entity: (Continued)

Budgetary Comparison Schedules: (Continued)

The budgetary comparison schedules present the original budget, the final budget and the actual activity of the major governmental funds.

Individual Component Unit Disclosures: Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

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

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 and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

---

B. Government-wide and Fund Financial Statements: (Continued)

Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function. In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund 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. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The following is a brief description of the specific funds used by the Town in FY 2019.

1. *Governmental Funds* - Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds.

*General Fund* - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported 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. The General Fund is considered a major fund for reporting purposes.

*Capital Projects Fund* - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide statements are prepared using the economic resources measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

---

C. Measurement Focus and Basis of Accounting: (Continued)

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure and all other grant requirements have been satisfied.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt are recognized when due except for amounts due on July 1, which are accrued.

D. Budgets and Budgetary Accounting

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

1. Budgets and Budgetary Accounting

- a. The Town Manager submits a proposed operating and capital budget to the Town Council prior to June 30 of each year. The budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain citizen comments.
- c. Prior to June 30, the budget is legally enacted through Council vote.
- d. The Town Manager is authorized to transfer budgeted amounts between line items within a department without prior approval from the Town Council.
- e. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

2. Legally Adopted Budgets

The general fund has a legally adopted annual budget.

E. Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with original maturities of three months or less.

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

---

F. Investments

External investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Property Taxes

Real estate is assessed annually on January 1st by the County of Prince William at fair market value. Real estate taxes attach as an enforceable lien on the property as of January 1st. Taxes are payable semi-annually on June 5th and December 5th. The Town bills and collects its own property taxes. Penalties accrue on real estate taxes beginning June 6<sup>th</sup> and December 6th. Interest accrues on real estate taxes beginning July 1st.

H. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes for the General Fund was \$11,401 at June 30, 2019.

I. Capital Assets

Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure. Any asset or group of assets acquired by the Town that has a useful life in excess of one year and an acquisition cost, or fair market value (when received), of at least \$5,000 is reported in the applicable column in the government-wide financial statements.

Such assets are recorded at historical cost (or estimated historical cost) if constructed or purchased. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|                            |             |
|----------------------------|-------------|
| Buildings and improvements | 20-30 years |
| Machinery and equipment    | 5-7 years   |
| Infrastructure             | 30 years    |

J. Compensated Absences and Other Employee Benefit Amounts

Vested vacation, sick pay and other related employee benefit amounts are accrued when earned in all funds.

K. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

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

---

K. Long-term Obligations: (Continued)

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

L. Fund Balance

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

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

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

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

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

---

M. Credit Risk

Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Town's customer base. As of June 30, 2019, the Town had no significant concentrations of credit risk.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

O. Deferred Outflows/Inflows of Resources

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

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

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

---

P. Net Position

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

Q. Net Position Flow Assumption

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

R. Pensions

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

S. Other Postemployment Benefits

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS, GLI, LODA, VLDP and HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. Adoption of Accounting Principles

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

### NOTE 2—DEPOSITS AND INVESTMENTS:

#### Deposits:

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

#### Investments:

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

#### Custodial Credit Risk (Investments):

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

#### Credit Risk of Debt Securities:

The Town does not have a policy related to credit risk of debt securities. The Town’s rated debt investments as of June 30, 2019 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

| Town's Rated Debt Investments' Values |                     |              |  |
|---------------------------------------|---------------------|--------------|--|
| Rated Debt Investments                | Fair Quality Rating |              |  |
|                                       | AAAm                | AA+F/S1      |  |
| VML/VACO Virginia Investment Pool     | \$ -                | \$ 1,048,572 |  |
| US Revenue Bonds                      | 383,344             | -            |  |
| Total                                 | \$ 383,344          | \$ 1,048,572 |  |

#### Fair Value Measurements:

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. The Town has measured fair value of the above investments at the net asset value (NAV).

#### Redemption Restrictions:

VML/VACO Virginia Investment Pool allows the Authority to have the option to have access to withdrawal funds twice a month, with a five day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, state budget cuts and etc.).

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2019 the Town has receivables from other governments as follows:

|                       | General<br>Fund  |
|-----------------------|------------------|
| Prince William County |                  |
| Court fees            | \$ 5,325         |
| Sales tax             | 70,217           |
|                       | <u>75,542</u>    |
| Totals                | \$ <u>75,542</u> |

NOTE 4—CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:

|   | Balance<br>July 1, 2018 | Additions          | Deletions   | Balance<br>June 30, 2019 |
|---|-------------------------|--------------------|-------------|--------------------------|
| Capital assets not being depreciated:       |                         |                    |             |                          |
| Land  | \$ 1,051,765            | \$ -               | \$ -        | \$ 1,051,765             |
| Construction in progress                    | 598,705                 | 150,865            | -           | 749,570                  |
| Total capital assets not being depreciated  | <u>\$ 1,650,470</u>     | <u>\$ 150,865</u>  | <u>\$ -</u> | <u>\$ 1,801,335</u>      |
| Capital assets being depreciated:           |                         |                    |             |                          |
| Buildings and improvements                  | \$ 5,901,151            | \$ 197,412         | \$ -        | \$ 6,098,563             |
| Machinery and equipment                     | 1,234,270               | 108,105            | -           | 1,342,375                |
| Infrastructure                              | 7,419,577               | 123,304            | -           | 7,542,881                |
| Total capital assets being depreciated      | <u>\$ 14,554,998</u>    | <u>\$ 428,821</u>  | <u>\$ -</u> | <u>\$ 14,983,819</u>     |
| Accumulated depreciation:                   |                         |                    |             |                          |
| Buildings and improvements                  | \$ 845,684              | \$ 178,630         | \$ -        | \$ 1,024,314             |
| Machinery and equipment                     | 916,666                 | 94,315             | -           | 1,010,981                |
| Infrastructure                              | 1,305,236               | 247,319            | -           | 1,552,555                |
| Total accumulated depreciation              | <u>\$ 3,067,586</u>     | <u>\$ 520,264</u>  | <u>\$ -</u> | <u>\$ 3,587,850</u>      |
| Total capital assets being depreciated, net | <u>\$ 11,487,412</u>    | <u>\$ (91,443)</u> | <u>\$ -</u> | <u>\$ 11,395,969</u>     |
| Governmental activities capital assets, net | <u>\$ 13,137,882</u>    | <u>\$ 59,422</u>   | <u>\$ -</u> | <u>\$ 13,197,304</u>     |

Assets acquired under capital leases included in above:

|                         | Cost              | Depreciation<br>Expense | Accumulated<br>Depreciation |
|-------------------------|-------------------|-------------------------|-----------------------------|
| Machinery and equipment | \$ 262,000        | \$ 33,877               | \$ 46,780                   |
|                         | <u>\$ 262,000</u> | <u>\$ 33,877</u>        | <u>\$ 46,780</u>            |

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2019 (Continued)

**NOTE 4—CAPITAL ASSETS: (CONTINUED)**

Depreciation expense was charged to functions/programs as follows:

|                          |                   |
|--------------------------|-------------------|
| Governmental Activities: |                   |
| General Government       | \$ 154,456        |
| Public Safety            | 172,083           |
| Public Works             | 153,761           |
| Community Development    | <u>39,964</u>     |
| Total                    | \$ <u>520,264</u> |

**NOTE 5—COMPENSATED ABSENCES:**

The Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave at rates determined by length of service. Accumulated amounts paid upon termination vary with the length of service. The Town had outstanding compensated absences as follows:

|                    |                   |
|--------------------|-------------------|
| Governmental Funds | \$ <u>107,327</u> |
|--------------------|-------------------|

**NOTE 6—LONG-TERM OBLIGATIONS:**

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

|  | <u>Balance at<br/>July 1, 2018</u> | <u>Issuances/<br/>Increases</u> | <u>Retirements/<br/>Decreases</u> | <u>Balance at<br/>June 30, 2019</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--|------------------------------------|---------------------------------|-----------------------------------|-------------------------------------|--|
| Direct Borrowings and Direct Placements: |                                    |                                 |                                   |                                     |  |
| General obligation bonds                 | \$ 5,460,000                       | \$ -                            | \$ 110,000                        | \$ 5,350,000                        | \$ 100,000                                 |
| Revenue bonds                            | 3,975,000                          | -                               | 180,000                           | 3,795,000                           | 195,000                                    |
| Other Liabilities:                       |                                    |                                 |                                   |                                     |  |
| Premium on bonds                         | 89,333                             | -                               | 4,939                             | 84,394                              | 5,161                                      |
| Capital lease                            | 211,827                            | -                               | 51,263                            | 160,564                             | 52,376                                     |
| Net pension liability                    | 1,066,334                          | 535,103                         | 929,243                           | 672,194                             | -  |
| Net OPEB liabilities                     | 219,153                            | 172,440                         | 95,593                            | 296,000                             | -  |
| Compensated absences                     | 89,164                             | 18,163                          | -                                 | 107,327                             | 10,733                                     |
| Total Governmental Activities            | \$ <u>11,110,811</u>               | \$ <u>725,706</u>               | \$ <u>1,371,038</u>               | \$ <u>10,465,479</u>                | \$ <u>363,270</u>                          |

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

|  | <u>Amount<br/>Outstanding</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--|-------------------------------|--|
| <u>Revenue Bonds:</u>  |                               |  |
| \$1,615,000 Revenue Refunding Bonds, issued May 2010, maturing annually in installments ranging from \$15,000 to \$135,000 through October 1, 2026, interest ranging from 2.20% to 5.20% payable semiannually                      | \$ 930,000                    | \$ 100,000                                 |
| \$485,000 Revenue Refunding Bonds, issued July 2012, maturing annually in installments ranging from \$5,000 to \$45,000 through October 1, 2027, interest ranging from 2.125% to 5.125% payable semiannually                       | 330,000                       | 30,000                                     |
| \$2,875,400 IDA Revenue Bonds, issued November 2010, due in annual installments ranging from \$50,000 to \$190,000 through February 1, 2041, interest ranging from 3.0% to 5.5% payable semiannually                               | <u>2,535,000</u>              | <u>65,000</u>                              |
| Total revenue bonds  | \$ <u>3,795,000</u>           | \$ <u>195,000</u>                          |
| <u>General Obligation Bonds:</u>   |                               |  |
| \$1,850,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from \$30,000 to \$100,000 through April 1, 2048 interest ranging from 3.625% to 5.125% payable semiannually  | \$ 1,815,000                  | \$ 30,000                                  |
| \$3,610,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from \$70,000 to \$205,000 through April 1, 2048, interest ranging from 2.300% to 4.190% payable semiannually | <u>3,535,000</u>              | <u>70,000</u>                              |
| Total general obligation bonds   | \$ <u>5,350,000</u>           | \$ <u>100,000</u>                          |
| Premium on bonds   | \$ <u>84,394</u>              | \$ <u>5,161</u>                            |
| <u>Capital Lease:</u>  |                               |  |
| \$262,000 capital lease obligation, issued June 2017, due in semi-annual installments of \$27,781 through June 15, 2022, interest payable at 2.16%, secured by vehicles.   | \$ <u>160,564</u>             | \$ <u>52,376</u>                           |
| Net pension liability  | \$ <u>672,194</u>             | \$ -                                       |
| Net OPEB liabilities   | \$ <u>296,000</u>             | \$ -                                       |
| Compensated absences   | \$ <u>107,327</u>             | \$ <u>10,733</u>                           |
| Total Governmental Activities  | <u>\$ 10,465,479</u>          | <u>\$ 363,270</u>                          |

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

## NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

| Year | Direct Borrowings<br>and Direct Placement<br>General Obligation<br>and Revenue Bonds |                     | Capital Lease     |                 |
|------|--|---------------------|-------------------|-----------------|
|      | Principal  | Interest            | Principal         | Interest        |
| 2020 | \$ 295,000   | \$ 403,530          | \$ 52,376         | \$ 3,187        |
| 2021 | 305,000  | 391,213             | 53,513            | 2,049           |
| 2022 | 320,000  | 378,244             | 54,675            | 888             |
| 2023 | 335,000  | 363,989             | -                 | -               |
| 2024 | 355,000  | 348,455             | -                 | -               |
| 2025 | 360,000  | 332,153             | -                 | -               |
| 2026 | 390,000  | 315,087             | -                 | -               |
| 2027 | 395,000  | 297,204             | -                 | -               |
| 2028 | 275,000  | 281,907             | -                 | -               |
| 2029 | 245,000  | 270,016             | -                 | -               |
| 2030 | 250,000  | 258,573             | -                 | -               |
| 2031 | 265,000  | 246,589             | -                 | -               |
| 2032 | 275,000  | 234,438             | -                 | -               |
| 2033 | 295,000  | 221,677             | -                 | -               |
| 2034 | 305,000  | 207,983             | -                 | -               |
| 2035 | 320,000  | 193,759             | -                 | -               |
| 2036 | 335,000  | 178,455             | -                 | -               |
| 2037 | 350,000  | 162,575             | -                 | -               |
| 2038 | 370,000  | 145,844             | -                 | -               |
| 2039 | 385,000  | 128,126             | -                 | -               |
| 2040 | 400,000  | 109,907             | -                 | -               |
| 2041 | 420,000  | 90,922              | -                 | -               |
| 2042 | 240,000  | 70,967              | -                 | -               |
| 2043 | 250,000  | 61,251              | -                 | -               |
| 2044 | 260,000  | 51,146              | -                 | -               |
| 2045 | 270,000  | 40,596              | -                 | -               |
| 2046 | 280,000  | 29,600              | -                 | -               |
| 2047 | 295,000  | 18,108              | -                 | -               |
| 2048 | 305,000  | 6,103               | -                 | -               |
|      | <u>\$ 9,145,000</u>  | <u>\$ 5,838,417</u> | <u>\$ 160,564</u> | <u>\$ 6,124</u> |

NOTE 7—PENSION PLAN

---

*Plan Description*

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

*Benefit Structures*

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

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

## NOTE 7—PENSION PLAN: (CONTINUED)

*Average Final Compensation and Service Retirement Multiplier*

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

*Employees Covered by Benefit Terms*

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

|  |     |
|--|-----|
| Inactive members or their beneficiaries currently receiving benefits | 33  |
| Inactive members:  |     |
| Vested inactive members  | 7   |
| Non-vested inactive members  | 19  |
| Inactive members active elsewhere in VRS                             | 21  |
| Total inactive members   | 47  |
| Active members   | 20  |
| Total covered employees  | 100 |

NOTE 7—PENSION PLAN: (CONTINUED)

---

*Contributions*

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

The Town’s contractually required employer contribution rate for the year ended June 30, 2019 was 13.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$189,784 and \$177,737 for the years ended June 30, 2019 and June 30, 2018, respectively.

*Net Pension Liability*

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

*Actuarial Assumptions - General Employees*

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

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

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

NOTE 7—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees: (Continued)*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at 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.

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

## NOTE 7—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees: (Continued)*

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

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

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

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

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

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

NOTE 7—PENSION PLAN: (CONTINUED)

---

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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.

## NOTE 7—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (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:

## Largest 10 - Hazardous Duty:

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

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

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

## NOTE 7—PENSION PLAN: (CONTINUED)

*Long-Term Expected Rate of Return*

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

| 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%.

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

## NOTE 7—PENSION PLAN: (CONTINUED)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions 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<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability (Asset)<br>(a) - (b) |
| Balances at June 30, 2017                             | \$ 5,568,909                         | \$ 4,502,575                             | \$ 1,066,334                                     |
| Changes for the year:                                 |                                      |  |  |
| Service cost  | \$ 153,291                           | \$ -                                     | \$ 153,291                                       |
| Interest  | 378,661                              | -  | 378,661  |
| Differences between expected<br>and actual experience | (353,267)                            | -  | (353,267)  |
| Contributions - employer                              | -                                    | 178,082                                  | (178,082)  |
| Contributions - employee                              | -                                    | 67,221                                   | (67,221)   |
| Net investment income                                 | -                                    | 330,673                                  | (330,673)  |
| Benefit payments, including refunds                   | (318,934)                            | (318,934)                                | -  |
| Administrative expenses                               | -                                    | (2,856)                                  | 2,856  |
| Other changes   | -                                    | (295)                                    | 295  |
| Net changes   | \$ (140,249)                         | \$ 253,891                               | \$ (394,140)                                     |
| Balances at June 30, 2018                             | \$ 5,428,660                         | \$ 4,756,466                             | \$ 672,194                                       |

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 7—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 Town'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:

|                                    | Rate                   |                             |                        |
|------------------------------------|------------------------|-----------------------------|------------------------|
|                                    | 1% Decrease<br>(6.00%) | Current Discount<br>(7.00%) | 1% Increase<br>(8.00%) |
| Town Net Pension Liability (Asset) | \$ 1,263,803           | \$ 672,194                  | \$ 176,124             |

*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 (\$105,399). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                               | \$ -                                 | \$ 128,256                          |
| Net difference between projected and actual earnings on pension plan investments | -                                    | 33,810                              |
| Employer contributions subsequent to the measurement date                        | 189,784                              | -                                   |
| Total  | \$ 189,784                           | \$ 162,066                          |

\$189,784 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ended June 30 |              |
|--------------------|--------------|
| 2020               | \$ (110,497) |
| 2021               | (2,044)      |
| 2022               | (45,889)     |
| 2023               | (3,636)      |
| 2024               | -            |
| Thereafter         | -            |

NOTE 7—PENSION PLAN: (CONTINUED)

---

*Pension Plan Data*

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

NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

---

*Plan Description*

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

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

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

*Eligible Employees*

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

NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

---

*Benefit Amounts*

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

*Contributions*

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ( $1.31\% \times 60\%$ ) and the employer component was 0.52% ( $1.31\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$8,000 and \$7,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$111,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00729% as compared to .00528 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.

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (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<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                   | \$ 5,000                             | \$ 1,000                            |
| Net difference between projected and actual earnings on GLI OPEB program investments | -                                    | 4,000                               |
| Change in assumptions  | -                                    | 5,000                               |
| Changes in proportion  | 28,000                               | 20,000                              |
| Employer contributions subsequent to the measurement date                            | 8,000                                | -                                   |
| Total  | \$ 41,000                            | \$ 30,000                           |

\$8,000 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:

| Year Ended June 30 |            |
|--------------------|------------|
| 2020               | \$ (1,000) |
| 2021               | (1,000)    |
| 2022               | (1,000)    |
| 2023               | -          |
| 2024               | 1,000      |
| Thereafter         | 5,000      |

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions*

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

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

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

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)***Mortality Rates - Largest Ten Locality Employers - General Employees: (Continued)**

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

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

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)***Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)**

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

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

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)***Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

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

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)*

## Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

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

*NET GLI OPEB Liability*

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

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

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

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Long-Term Expected Rate of Return*

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

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

## NOTE 8—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)**Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

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

|  | Rate                   |                             |                        |
|--|------------------------|-----------------------------|------------------------|
|  | 1% Decrease<br>(6.00%) | Current Discount<br>(7.00%) | 1% Increase<br>(8.00%) |
| Proportionate share of the Group<br>Life Insurance Program |                        |                             |                        |
| Net OPEB Liability   | \$ 145,000             | \$ 111,000                  | \$ 83,000              |

*GLI Program Fiduciary Net Position*

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

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

*Plan Description*

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

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

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

*Eligible Employees*

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

*Benefit Amounts*

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

*HIC Program Notes*

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

*Employees Covered by Benefit Terms*

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

|  | <u>Number</u>    |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | 6                |
| Active members   | <u>20</u>        |
| Total covered employees  | <u><u>26</u></u> |

*Contributions*

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County/City/Town/ABC's contractually required employer contribution rate for the year ended June 30, 2019 was 11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the HIC Program were \$1,608 and \$1,525 for the years ended June 30, 2019 and June 30, 2018, respectively.

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

*Net HIC OPEB Liability*

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

*Actuarial Assumptions*

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

|  |   |
|--|---|
| Inflation                              | 2.5%  |
| Salary increases, including inflation: |   |
| Locality - General employees           | 3.5%-5.35%  |
| Locality - Hazardous Duty employees    | 3.5%-4.75%  |
| Investment rate of return              | 7.0%, net of investment expenses,<br>including inflation* |

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

**Mortality Rates - Largest Ten Locality Employers - General Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)****Mortality Rates - Largest Ten Locality Employers - General Employees: (Continued)**

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

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

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

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

## Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

## Pre-Retirement:

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

## Post-Retirement:

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

## Post-Disablement:

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

**NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)****Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

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

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

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

## Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

|   |  |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020            |
| Retirement Rates  | 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%   |

*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%.

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

*Discount Rate*

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

*Changes in Net HIC OPEB Liability (Asset)*

|   | Increase (Decrease)                   |  |   |
|---|---------------------------------------|--|---|
|   | Total<br>HIC OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>HIC OPEB<br>Liability (Asset)<br>(a) - (b) |
| Balances at June 30, 2017                             | \$ 30,074                             | \$ 28,921                                | \$ 1,153  |
| Changes for the year:                                 |                                       |  |   |
| Service cost  | \$ 1,259                              | \$ -                                     | \$ 1,259  |
| Interest  | 1,975                                 | -  | 1,975   |
| Differences between expected<br>and actual experience | (4,446)                               | -  | (4,446)   |
| Contributions - employer                              | -                                     | 1,530                                    | (1,530)   |
| Net investment income                                 | -                                     | 2,007                                    | (2,007)   |
| Benefit payments                                      | (3,706)                               | (3,706)                                  | -   |
| Administrative expenses                               | -                                     | (45)                                     | 45  |
| Other changes   | -                                     | (161)                                    | 161   |
| Net changes   | \$ (4,918)                            | \$ (375)                                 | \$ (4,543)  |
| Balances at June 30, 2018                             | \$ 25,156                             | \$ 28,546                                | \$ (3,390)  |

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

*Sensitivity of the Town's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate*

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

|                                | Rate        |                  |             |
|--------------------------------|-------------|------------------|-------------|
|                                | 1% Decrease | Current Discount | 1% Increase |
|                                | (6.00%)     | (7.00%)          | (8.00%)     |
| Town's                         |             |                  |             |
| Net HIC OPEB Liability (Asset) | \$ (1,248)  | \$ (3,390)       | \$ (5,253)  |

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

For the year ended June 30, 2019, the Town recognized HIC Program OPEB expense of \$424. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's HIC Program from the following sources:

|   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                | \$ -                                 | \$ 3,704                            |
| Net difference between projected and actual earnings on HIC OPEB plan investments | -                                    | 794                                 |
| Change in assumptions   | -                                    | 300                                 |
| Employer contributions subsequent to the measurement date                         | 1,608                                | -                                   |
| Total   | \$ 1,608                             | \$ 4,798                            |

## NOTE 9—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

*HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to HIC Program OPEB: (Continued)*

\$1,608 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> |    |         |
|---------------------------|----|---------|
| 2020                      | \$ | (1,075) |
| 2021                      |    | (1,075) |
| 2022                      |    | (1,075) |
| 2023                      |    | (829)   |
| 2024                      |    | (744)   |
| Thereafter                |    | -       |

*HIC Program Plan Data*

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

## NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):

*Plan Description*

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

---

*Eligible Employees*

The Political Subdivision VLDP was implemented January 1, 2014 to provide benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

*Benefit Amounts*

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

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

*VLDP Notes*

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

*Contributions*

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the VRS Political Subdivision VLDP were \$2,000 and \$1,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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

At June 30, 2019, the Town reported a liability of \$1,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2018 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net VLDP OPEB Liability was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Town's proportion of the VLDP was .09541% as compared to .10507% at June 30, 2017.

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

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

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Employer contributions subsequent to the<br>measurement date | \$ 2,000                          | \$ -                             |
| Total  | \$ 2,000                          | \$ -                             |

\$2,000 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2020.

*Actuarial Assumptions*

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

|                                       |  |
|---------------------------------------|--|
| Inflation                             | 2.5%   |
| Salary increases, including inflation | 3.5%-5.35%   |
| Investment rate of return             | 7.0%, net of plan investment expenses,<br>including inflation* |

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

## NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)***Mortality Rates - Largest Ten Locality Employers - General and Non-Hazardous Duty Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

**Mortality Rates - Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)*

Mortality Rates - Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees:  
(Continued)

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

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

*Net VLDP OPEB Liability*

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

|   | Political Subdivision<br>Employee VLDP<br>OPEB Plan |
|---|---|
| Total Political Subdivision VLDP OPEB Liability   | \$ 1,588  |
| Plan Fiduciary Net Position   | 816   |
| Political Subdivision net VLDP OPEB Liability (Asset)   | \$ 772  |
| Plan Fiduciary Net Position as a Percentage of the<br>Total Political Subdivision VLDP OPEB Liability | 51.39%  |

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

## NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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

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

|                            |    | Rate        |                  |             |
|----------------------------|----|-------------|------------------|-------------|
|                            |    | 1% Decrease | Current Discount | 1% Increase |
|                            |    | (6.00%)     | (7.00%)          | (8.00%)     |
| Town's                     |    |             |                  |             |
| proportionate share of the |    |             |                  |             |
| Net VLDP OPEB Liability    | \$ | 1,000       | \$ 1,000         | \$ -        |

*Political Subdivision VLDP OPEB Fiduciary Net Position*

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

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN):

*Plan Description*

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

*Eligible Employees*

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program.

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

---

*Benefit Amounts*

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

*Contributions*

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$10,000 and \$6,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

*LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB*

At June 30, 2019, the entity reported a liability of \$184,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was .05860% as compared to .05261% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$20,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

*LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)*

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

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                 | \$ 26,000                         | \$ 1,000                         |
| Net difference between projected and actual earnings on LODA OPEB plan investments | -                                 | -                                |
| Change in assumptions  | -                                 | 21,000                           |
| Change in proportion   | 38,000                            | -                                |
| Employer contributions subsequent to the measurement date                          | 10,000                            | -                                |
| Total  | \$ <u>74,000</u>                  | \$ <u>22,000</u>                 |

\$10,000 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> |          |
|---------------------------|----------|
| 2020                      | \$ 5,000 |
| 2021                      | 5,000    |
| 2022                      | 5,000    |
| 2023                      | 6,000    |
| 2024                      | 6,000    |
| Thereafter                | 15,000   |

## NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions*

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

|  |   |
|--|---|
| Inflation                              | 2.5%  |
| Salary increases, including inflation: |   |
| General state employees                | 3.50%-5.35%   |
| SPORS employees                        | 3.50%-4.75%   |
| VaLORS employees                       | 3.50%-4.75%   |
| Locality employees                     | 3.50%-4.75%   |
| Medical cost trend rates assumption:   |   |
| Under age 65                           | 7.75%-5.00%   |
| Ages 65 and older                      | 5.75%-5.00%   |
| Year of ultimate trend rate            | Fiscal year ended 2024  |
| Investment rate of return              | 3.56%, net of OPEB plan investment expenses, including inflation* |

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

## NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)***Mortality Rates - Largest Ten Locality Employers with Public Safety Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

|   |  |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | 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%   |

## NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)***Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

|   |  |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | 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 LODA OPEB Liability*

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

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

## NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

*Net LODA OPEB Liability*

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

*Long-Term Expected Rate of Return*

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

*Discount Rate*

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

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

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

|  | Discount Rate          |                    |                        |
|--|------------------------|--------------------|------------------------|
|  | 1% Decrease<br>(2.89%) | Current<br>(3.89%) | 1% Increase<br>(4.89%) |
| Town's proportionate share of the<br>total LODA Net OPEB Liability | \$ 211,000             | \$ 184,000         | \$ 162,000             |

## NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

|  | Health Care Trend Rates                       |   |   |
|--|---|---|---|
|  | 1% Decrease<br>(6.75% decreasing<br>to 4.00%) | Current<br>(7.75% decreasing<br>to 5.00%) | 1% Increase<br>(8.75% decreasing<br>to 6.00%) |
| Town's proportionate share of the<br>total LODA Net OPEB Liability | \$ 157,000                                    | \$ 184,000                                | \$ 218,000                                    |

*LODA OPEB Plan Fiduciary Net Position*

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

## NOTE 12—SUMMARY OF NET OPEB ASSETS/LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCES:

|            | Net<br>OPEB<br>Asset | Net<br>OPEB<br>Liabilities | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources | OPEB<br>Expense |
|------------|----------------------|----------------------------|--------------------------------------|-------------------------------------|-----------------|
| LODA       | \$ -                 | \$ 184,000                 | \$ 74,000                            | \$ 22,000                           | \$ 20,000       |
| Group Life | -                    | 111,000                    | 41,000                               | 30,000                              | 2,000           |
| HIC        | 3,390                | -                          | 1,608                                | 4,798                               | 424             |
| VLDP       | -                    | 1,000                      | 2,000                                | -                                   | 2,000           |
| Total      | \$ 3,390             | \$ 296,000                 | \$ 118,608                           | \$ 56,798                           | \$ 24,424       |

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

NOTE 13—DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

Deferred/unavailable/unearned revenue represents amounts for which asset recognition have been met, but for which revenue recognition criteria have not been met. Unavailable/unearned/deferred revenue is comprised of the following:

|   | <u>Unearned Revenue</u><br><u>Statement of</u><br><u>Net Position</u> |                       |    |                |
|---|---|-----------------------|----|----------------|
| Grant revenue received in advance   | \$  | 579,601               |    |                |
| Other   |   | <u>30,337</u>         |    |                |
| Total unearned revenue  | \$  | <u><u>609,938</u></u> |    |                |
|   | <u>Deferred/Unavailable Revenue</u>                                   |                       |    |                |
|   | <u>Balance Sheet</u>  | <u>Statement of</u>   |    |                |
|   | <u>Governmental</u>   | <u>Net Position</u>   |    |                |
|   | <u>Funds</u>  | <u>Governmental</u>   |    |                |
|   |   | <u>Activities</u>     |    |                |
| 2nd half assessments representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.  | \$  | 429,866               | \$ | 429,866        |
| Prepaid property tax revenues representing collections for property taxes that are applicable to the subsequent budget year.  |   | 6,132                 |    | 6,132          |
| Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures. |   | <u>35,398</u>         |    | <u>-</u>       |
| Total deferred/unavailable revenue  | \$  | <u>471,396</u>        | \$ | <u>435,998</u> |

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2019 (Continued)

---

### NOTE 14—FIDELITY BOND:

---

Fidelity bond coverage with Virginia Municipal League during the fiscal year 2019 was as follows:

|                    | <u>Coverage</u> |
|--------------------|-----------------|
| Fidelity and Crime | \$ 20,000       |

### NOTE 15—COMMITMENTS AND CONTINGENCIES:

---

#### State and Federal Programs

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

#### Construction Commitments

At June 30, 2019, the Town has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$212,645 at June 30, 2019.

### NOTE 16—LITIGATION:

---

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

## **Required Supplementary Information**

### **Note to Required Supplementary Information:**

Presented budgets were prepared in accordance with Accounting Principles Generally Accepted in the United States of America.

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2019

|   | General Fund       |                 |              | Variance<br>with<br>Final<br>Budget -<br>Positive<br>(Negative) |
|---|--------------------|-----------------|--------------|---|
|   | Original<br>Budget | Final<br>Budget | Actual       |   |
| Revenues:   |                    |                 |              |   |
| General property taxes                                    | \$ 890,941         | \$ 890,941      | \$ 868,244   | \$ (22,697)   |
| Other local taxes   | 2,171,529          | 2,171,529       | 2,257,866    | 86,337  |
| Permits, privilege fees, and regulatory licenses          | 311,500            | 311,500         | 542,743      | 231,243   |
| Fines and forfeitures                                     | 85,000             | 85,000          | 79,335       | (5,665)   |
| Revenue from the use of money and property                | 521,335            | 521,335         | 678,495      | 157,160   |
| Miscellaneous   | 11,900             | 11,900          | 132,747      | 120,847   |
| Intergovernmental:  |                    |                 |              |   |
| Commonwealth  | 1,909,721          | 1,909,721       | 703,739      | (1,205,982)   |
| Federal   | 10,000             | 10,000          | 4,491        | (5,509)   |
| Total revenues  | \$ 5,911,926       | \$ 5,911,926    | \$ 5,267,660 | \$ (644,266)  |
| Expenditures:   |                    |                 |              |   |
| General government administration:                        |                    |                 |              |   |
| Legislative:  |                    |                 |              |   |
| Governing body  | \$ 96,856          | \$ 96,856       | \$ 93,674    | \$ 3,182  |
| General and financial administration:                     |                    |                 |              |   |
| Administration  | \$ 999,632         | \$ 999,632      | \$ 850,897   | \$ 148,735  |
| Information technology                                    | 167,500            | 167,500         | 234,797      | (67,297)  |
| Total general and financial administration                | \$ 1,167,132       | \$ 1,167,132    | \$ 1,085,694 | \$ 81,438   |
| Total general government administration                   | \$ 1,263,988       | \$ 1,263,988    | \$ 1,179,368 | \$ 84,620   |
| Public safety:  |                    |                 |              |   |
| Law enforcement and traffic control:                      |                    |                 |              |   |
| Police  | \$ 1,295,599       | \$ 1,295,599    | \$ 1,258,438 | \$ 37,161   |
| Public works:   |                    |                 |              |   |
| Maintenance of general buildings and grounds              | \$ 241,487         | \$ 241,487      | \$ 387,950   | \$ (146,463)  |
| Street maintenance  | 275,739            | 275,739         | 235,678      | 40,061  |
| Facilities and other public works                         | 423,820            | 423,820         | 401,895      | 21,925  |
| Stormwater management                                     | 149,000            | 149,000         | 148,549      | 451   |
| Total public works  | \$ 1,090,046       | \$ 1,090,046    | \$ 1,174,072 | \$ (84,026)   |
| Community development:                                    |                    |                 |              |   |
| Planning and community development:                       |                    |                 |              |   |
| Community development                                     | \$ 245,005         | \$ 245,005      | \$ 215,363   | \$ 29,642   |
| Community services  | 78,441             | 78,441          | 84,116       | (5,675)   |
| Boards and commissions                                    | 9,600              | 9,600           | 5,671        | 3,929   |
| Total community development                               | \$ 333,046         | \$ 333,046      | \$ 305,150   | \$ 27,896   |
| Capital projects  | \$ -               | \$ -            | \$ 454,461   | \$ (454,461)  |
| Debt service:   |                    |                 |              |   |
| Principal retirement                                      | \$ 341,263         | \$ 341,263      | \$ 341,263   | \$ -  |
| Interest and other fiscal charges                         | 390,834            | 390,834         | 404,703      | (13,869)  |
| Total debt service  | \$ 732,097         | \$ 732,097      | \$ 745,966   | \$ (13,869)   |
| Total expenditures  | \$ 4,714,776       | \$ 4,714,776    | \$ 5,117,455 | \$ (402,679)  |
| Excess (deficiency) of revenues over (under) expenditures | \$ 1,197,150       | \$ 1,197,150    | \$ 150,205   | \$ (1,046,945)  |
| Other financing sources (uses)                            |                    |                 |              |   |
| Transfers out   | \$ 2,606,634       | \$ 2,606,634    | \$ -         | \$ (2,606,634)  |
| Total other financing sources (uses)                      | \$ 2,606,634       | \$ 2,606,634    | \$ -         | \$ (2,606,634)  |
| Net change in fund balance                                | \$ 3,803,784       | \$ 3,803,784    | \$ 150,205   | \$ (3,653,579)  |
| Fund balances at beginning of year                        | \$ (3,803,784)     | \$ (3,803,784)  | \$ 4,170,020 | \$ 7,973,804  |
| Fund balances at end of year                              | \$ -               | \$ -            | \$ 4,320,225 | \$ 4,320,225  |

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

|  | 2018                | 2017                | 2016                | 2015                | 2014                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>   |                     |                     |                     |                     |                     |
| Service cost   | \$ 153,291          | \$ 176,675          | \$ 174,120          | \$ 165,663          | \$ 160,496          |
| Interest   | 378,661             | 358,946             | 366,051             | 357,672             | 346,097             |
| Changes of benefit terms   | -                   | -                   | -                   | -                   | -                   |
| Differences between expected and actual experience                         | (353,267)           | 51,421              | (292,740)           | (56,086)            | -                   |
| Changes in assumptions   | -                   | 35,659              | -                   | -                   | -                   |
| Benefit payments, including refunds of employee contributions              | (318,934)           | (363,196)           | (334,656)           | (360,452)           | (322,017)           |
| Net change in total pension liability                                      | \$ (140,249)        | \$ 259,505          | \$ (87,225)         | \$ 106,797          | \$ 184,576          |
| Total pension liability - beginning  | 5,568,909           | 5,309,404           | 5,396,629           | 5,289,832           | 5,105,256           |
| Total pension liability - ending (a)                                       | <u>\$ 5,428,660</u> | <u>\$ 5,568,909</u> | <u>\$ 5,309,404</u> | <u>\$ 5,396,629</u> | <u>\$ 5,289,832</u> |
| <b>Plan fiduciary net position</b>   |                     |                     |                     |                     |                     |
| Contributions - employer   | \$ 178,082          | \$ 124,388          | \$ 201,857          | \$ 186,470          | \$ 218,931          |
| Contributions - employee   | 67,221              | 46,753              | 64,864              | 56,470              | 57,342              |
| Net investment income  | 330,673             | 498,400             | 72,174              | 186,026             | 564,853             |
| Benefit payments, including refunds of employee contributions              | (318,934)           | (363,196)           | (334,656)           | (360,452)           | (322,017)           |
| Administrative expense   | (2,856)             | (2,999)             | (2,610)             | (2,627)             | (3,062)             |
| Other  | (295)               | (440)               | (31)                | (40)                | 30                  |
| Net change in plan fiduciary net position                                  | \$ 253,891          | \$ 302,906          | \$ 1,598            | \$ 65,847           | \$ 516,077          |
| Plan fiduciary net position - beginning                                    | 4,502,575           | 4,199,669           | 4,198,071           | 4,132,224           | 3,616,147           |
| Plan fiduciary net position - ending (b)                                   | <u>\$ 4,756,466</u> | <u>\$ 4,502,575</u> | <u>\$ 4,199,669</u> | <u>\$ 4,198,071</u> | <u>\$ 4,132,224</u> |
| Town's net pension liability (asset) - ending (a) - (b)                    | \$ 672,194          | \$ 1,066,334        | \$ 1,109,735        | \$ 1,198,558        | \$ 1,157,608        |
| Plan fiduciary net position as a percentage of the total pension liability | 87.62%              | 80.85%              | 79.10%              | 77.79%              | 78.12%              |
| Covered payroll  | \$ 1,386,322        | \$ 974,616          | \$ 1,238,898        | \$ 1,134,812        | \$ 1,146,836        |
| Town's net pension liability (asset) as a percentage of covered payroll    | 48.49%              | 109.41%             | 89.57%              | 105.62%             | 100.94%             |

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

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

---

| Date | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|------|--|---|---|---|---|
| 2019 | \$ 189,784                                       | \$ 189,784  | \$ -  | \$ 1,461,581                            | 13%   |
| 2018 | 177,737  | 177,737   | -   | 1,386,322                               | 13%   |
| 2017 | 126,700  | 126,700   | -   | 974,616                                 | 13%   |
| 2016 | 204,790  | 204,790   | -   | 1,238,898                               | 17%   |
| 2015 | 187,584  | 187,584   | -   | 1,134,812                               | 17%   |
| 2014 | 218,931  | 218,931   | -   | 1,146,836                               | 19%   |
| 2013 | 208,600  | 208,600   | -   | 1,092,717                               | 19%   |
| 2012 | 153,746  | 153,746   | -   | 1,127,998                               | 14%   |
| 2011 | 165,916  | 165,916   | -   | 1,217,288                               | 14%   |
| 2010 | 219,532  | 219,532   | -   | 1,598,920                               | 14%   |

Notes to Required Supplementary Information - Pension Plan  
For the Year Ended June 30, 2019

---

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

## Schedule of Employer's Share of Net OPEB Liability

## Line of Duty Act (LODA) Program

For the Measurement Dates of June 30, 2017 through June 30, 2018

| Date<br>(1) | Employer's<br>Proportion of the<br>Net LODA OPEB<br>Liability (Asset)<br>(2) | Employer's<br>Proportionate<br>Share of the<br>Net LODA OPEB<br>Liability (Asset)<br>(3) | Covered-<br>Employee<br>Payroll *<br>(4) | Employer's<br>Proportionate Share<br>of the Net LODA OPEB<br>Liability (Asset)<br>as a Percentage of its<br>Covered-Employee Payroll<br>(3)/(4)<br>(5) | Plan Fiduciary<br>Net Position as a<br>Percentage of Total<br>LODA OPEB Liability<br>(6) |
|-------------|--|--|--|--|--|
| 2018        | 0.05860% \$  | 184,000 \$   | Not Applicable                           | Not Applicable   | 0.60%  |
| 2017        | 0.05261%   | 138,000  | Not Applicable                           | Not Applicable   | 1.30%  |

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

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

## Schedule of Employer Contributions

## Line of Duty Act (LODA) Program

For the Years Ended June 30, 2017 through June 30, 2019

| Date | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Covered-<br>Employee<br>Payroll *<br>(4) | Contributions<br>as a % of<br>Covered -<br>Employee<br>Payroll<br>(5) |
|------|--|---|---|--|---|
| 2019 | \$ 10,000  | \$ 10,000   | \$ -  | Not Applicable                           | Not Applicable  |
| 2018 | 6,000  | 6,000   | -   | Not Applicable                           | Not Applicable  |
| 2017 | 5,000  | 5,000   | -   | Not Applicable                           | Not Applicable  |

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

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

## Notes to Required Supplementary Information

## Line of Duty Act (LODA) Program

For the Year Ended June 30, 2019

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

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

## Employees in the Largest Ten Locality Employers with Public Safety Employees

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

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

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

Schedule of Employer's Share of Net OPEB Liability  
 Group Life Insurance Program  
 For the Measurement Dates of June 30, 2017 through June 30, 2018

---

| Date<br>(1) | Employer's<br>Proportion of the<br>Net GLI OPEB<br>Liability (Asset)<br>(2) | Employer's<br>Proportionate<br>Share of the<br>Net GLI OPEB<br>Liability (Asset)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Employer's<br>Proportionate Share<br>of the Net GLI OPEB<br>Liability (Asset)<br>as a Percentage of<br>Covered Payroll<br>(3)/(4)<br>(5) | Plan Fiduciary<br>Net Position as a<br>Percentage of Total<br>GLI OPEB Liability<br>(6) |
|-------------|---|---|---|--|---|
| 2018        | 0.007290%   | \$ 111,000  | \$ 1,386,321                            | 8.01%  | 51.22%  |
| 2017        | 0.005280%   | \$ 79,000   | \$ 974,616                              | 8.11%  | 48.86%  |

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

## Schedule of Employer Contributions

## Group Life Insurance Program

For the Years Ended June 30, 2010 through June 30, 2019

| Date | Contributions in<br>Relation to                  |  |   | Contributions<br>as a % of              |                           |
|------|--|--|---|---|---------------------------|
|      | Contractually<br>Required<br>Contribution<br>(1) | Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Covered<br>Payroll<br>(5) |
| 2019 | \$ 7,600   | \$ 7,600   | \$ -  | \$ 1,461,581                            | 0.52%                     |
| 2018 | 7,209  | 7,209  | -   | 1,386,321                               | 0.52%                     |
| 2017 | 5,068  | 5,068  | -   | 974,616                                 | 0.52%                     |
| 2016 | 5,947  | 5,947  | -   | 1,238,898                               | 0.48%                     |
| 2015 | 5,447  | 5,447  | -   | 1,134,812                               | 0.48%                     |
| 2014 | 5,505  | 5,505  | -   | 1,146,836                               | 0.48%                     |
| 2013 | 5,245  | 5,245  | -   | 1,092,717                               | 0.48%                     |
| 2012 | 3,158  | 3,158  | -   | 1,127,998                               | 0.28%                     |
| 2011 | 3,408  | 3,408  | -   | 1,217,288                               | 0.28%                     |
| 2010 | 3,321  | 3,321  | -   | 1,598,920                               | 0.21%                     |

Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2019

---

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

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

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

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

---

|  | 2018             | 2017             |
|--|------------------|------------------|
| Total HIC OPEB Liability   |                  |                  |
| Service cost   | \$ 1,259         | \$ 1,304         |
| Interest   | 1,975            | 1,985            |
| Differences between expected and actual experience                             | (4,446)          | -                |
| Changes in assumptions   | -                | (446)            |
| Benefit payments   | (3,706)          | (2,251)          |
| Net change in total HIC OPEB liability   | \$ (4,918)       | \$ 592           |
| Total HIC OPEB Liability - beginning   | 30,074           | 29,482           |
| Total HIC OPEB Liability - ending (a)  | \$ <u>25,156</u> | \$ <u>30,074</u> |
| Plan fiduciary net position  |                  |                  |
| Contributions - employer   | \$ 1,530         | \$ 1,071         |
| Net investment income  | 2,007            | 3,081            |
| Benefit payments   | (3,706)          | (2,251)          |
| Administrative expense   | (45)             | (48)             |
| Other  | (161)            | 161              |
| Net change in plan fiduciary net position                                      | \$ (375)         | \$ 2,014         |
| Plan fiduciary net position - beginning  | 28,921           | 26,907           |
| Plan fiduciary net position - ending (b)                                       | \$ <u>28,546</u> | \$ <u>28,921</u> |
| Net HIC OPEB liability (asset)- ending (a) - (b)                               | \$ (3,390)       | \$ 1,153         |
| Plan fiduciary net position as a percentage of the total<br>HIC OPEB liability | 113.48%          | 96.17%           |
| Covered payroll  | \$ 1,386,321     | \$ 974,616       |
| Net HIC OPEB liability (asset) as a percentage of<br>covered payroll           | -0.24%           | 0.12%            |

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

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

---

| Date | Contributions in<br>Relation to                  |  |   | Employer's<br>Covered<br>Payroll | Contributions<br>as a % of<br>Covered<br>Payroll |
|------|--|--|---|----------------------------------|--|
|      | Contractually<br>Required<br>Contribution<br>(1) | Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) |                                  |  |
| 2019 | \$ 1,608   | \$ 1,608   | \$ -  | \$ 1,461,581                     | 0.11%  |
| 2018 | 1,525  | 1,525  | -   | 1,386,321                        | 0.11%  |
| 2017 | 1,072  | 1,072  | -   | 974,616                          | 0.11%  |
| 2016 | 1,239  | 1,239  | -   | 1,238,898                        | 0.10%  |
| 2015 | 1,135  | 1,135  | -   | 1,134,812                        | 0.10%  |
| 2014 | 1,376  | 1,376  | -   | 1,146,836                        | 0.12%  |
| 2013 | 1,318  | 1,318  | -   | 1,092,717                        | 0.12%  |
| 2012 | 1,692  | 1,692  | -   | 1,127,998                        | 0.15%  |
| 2011 | 1,826  | 1,826  | -   | 1,217,288                        | 0.15%  |
| 2010 | 3,358  | 3,358  | -   | 1,598,920                        | 0.21%  |

Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Program  
For the Year Ended June 30, 2019

---

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

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

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

## Schedule of Employer's Share of Net OPEB Liability

## Virginia Local Disability Program (VLDP)

For the Measurement Dates of June 30, 2017 through June 30, 2018

| Date<br>(1) | Employer's<br>Proportion of the<br>Net VLDP OPEB<br>Liability (Asset)<br>(2) | Employer's<br>Proportionate<br>Share of the<br>Net VLDP OPEB<br>Liability (Asset)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Employer's<br>Proportionate Share<br>of the Net VLDP OPEB<br>Liability (Asset)<br>as a Percentage of<br>Covered Payroll<br>(3)/(4)<br>(5) | Plan Fiduciary<br>Net Position as a<br>Percentage of Total<br>VLDP OPEB Liability<br>(6) |
|-------------|--|--|---|---|--|
| 2018        | 0.95410%   | \$ 1,000   | \$ 231,658                              | 0.43%   | 51.39%   |
| 2017        | 0.10507%   | 1,000  | 192,930                                 | 0.52%   | 38.40%   |

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

## Schedule of Employer Contributions

## Virginia Local Disability Program (VLDP)

For the Years Ended June 30, 2015 through June 30, 2019

| Date | Contributions in<br>Relation to                  |  |   |   |  | Contributions<br>as a % of<br>Covered<br>Payroll |
|------|--|--|---|---|--|--|
|      | Contractually<br>Required<br>Contribution<br>(1) | Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) |  |  |
| 2019 | \$ 2,061   | \$ 2,061   | \$ -  | \$ 286,206                              |  | 0.72%  |
| 2018 | 1,390  | 1,390  | -   | 231,658                                 |  | 0.60%  |
| 2017 | 1,158  | 1,158  | -   | 192,930                                 |  | 0.60%  |
| 2016 | 1,123  | 1,123  | -   | 187,129                                 |  | 0.60%  |
| 2015 | 462  | 462  | -   | 77,075                                  |  | 0.60%  |

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

Notes to Required Supplementary Information  
 Virginia Local Disability Program (VLDP)  
 For the Year Ended June 30, 2019

---

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

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

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

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

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

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

## Supporting Schedule

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

| Fund, Major and Minor Revenue Source                   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
| General Fund:  |                     |                     |                     |   |
| Revenue from local sources:                            |                     |                     |                     |   |
| General property taxes:                                |                     |                     |                     |   |
| Real property taxes                                    | \$ 863,446          | \$ 863,446          | \$ 840,900          | \$ (22,546)   |
| Real and personal public service corporation taxes     | 18,945              | 18,945              | 20,776              | 1,831   |
| Penalties  | 8,000               | 8,000               | 6,225               | (1,775)   |
| Interest   | 550                 | 550                 | 343                 | (207)   |
| Total general property taxes                           | <u>\$ 890,941</u>   | <u>\$ 890,941</u>   | <u>\$ 868,244</u>   | <u>\$ (22,697)</u>  |
| Other local taxes:                                     |                     |                     |                     |   |
| Local sales and use taxes                              | \$ 395,000          | \$ 395,000          | \$ 403,763          | \$ 8,763  |
| Consumers' utility taxes                               | 176,000             | 176,000             | 195,047             | 19,047  |
| Business license taxes                                 | 372,147             | 372,147             | 391,997             | 19,850  |
| Motor vehicle licenses                                 | -                   | -                   | 3,759               | 3,759   |
| Franchise license taxes                                | 20,000              | 20,000              | 121,125             | 101,125   |
| Bank stock taxes                                       | 41,419              | 41,419              | 42,456              | 1,037   |
| Transient occupancy taxes                              | 180,700             | 180,700             | 176,358             | (4,342)   |
| Cigarette tax  | 251,808             | 251,808             | 191,957             | (59,851)  |
| Meals taxes  | 695,000             | 695,000             | 691,409             | (3,591)   |
| Other  | 39,455              | 39,455              | 39,995              | 540   |
| Total other local taxes                                | <u>\$ 2,171,529</u> | <u>\$ 2,171,529</u> | <u>\$ 2,257,866</u> | <u>\$ 86,337</u>  |
| Permits, privilege fees, and regulatory licenses:      |                     |                     |                     |   |
| Building and related permits                           | \$ 50,000           | \$ 50,000           | \$ 235,768          | \$ 185,768  |
| Stormwater management fees                             | 149,000             | 149,000             | 141,920             | (7,080)   |
| Landfill host fees                                     | 109,500             | 109,500             | 126,731             | 17,231  |
| Other permits and licenses                             | 3,000               | 3,000               | 38,324              | 35,324  |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 311,500</u>   | <u>\$ 311,500</u>   | <u>\$ 542,743</u>   | <u>\$ 231,243</u>   |
| Fines and forfeitures:                                 |                     |                     |                     |   |
| Court and other fines and forfeitures                  | <u>\$ 85,000</u>    | <u>\$ 85,000</u>    | <u>\$ 79,335</u>    | <u>\$ (5,665)</u>   |
| Revenue from use of money and property:                |                     |                     |                     |   |
| Revenue from use of money                              | \$ 3,500            | \$ 3,500            | \$ 47,709           | \$ 44,209   |
| Revenue from use of property                           | 517,835             | 517,835             | 630,786             | 112,951   |
| Total revenue from use of money and property           | <u>\$ 521,335</u>   | <u>\$ 521,335</u>   | <u>\$ 678,495</u>   | <u>\$ 157,160</u>   |

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

| Fund, Major and Minor Revenue Source      | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
| General Fund: (continued)                 |                     |                     |                     |   |
| Revenue from local sources: (continued)   |                     |                     |                     |   |
| Miscellaneous:                            |                     |                     |                     |   |
| VML risk management grant                 | \$ 2,000            | \$ 2,000            | \$ 2,000            | \$ -  |
| Blighted properties                       | -                   | -                   | 66,448              | 66,448  |
| Miscellaneous                             | 9,900               | 9,900               | 64,299              | 54,399  |
| Total miscellaneous                       | <u>\$ 11,900</u>    | <u>\$ 11,900</u>    | <u>\$ 132,747</u>   | <u>\$ 54,399</u>  |
| Total revenue from local sources          | <u>\$ 3,992,205</u> | <u>\$ 3,992,205</u> | <u>\$ 4,559,430</u> | <u>\$ 500,777</u>   |
| Intergovernmental:                        |                     |                     |                     |   |
| Revenue from the Commonwealth:            |                     |                     |                     |   |
| Noncategorical aid:                       |                     |                     |                     |   |
| Motor vehicle rental tax                  | \$ 84,000           | \$ 84,000           | \$ 81,002           | \$ (2,998)  |
| Rolling stock tax                         | 6                   | 6                   | -                   | (6)   |
| Telecommunications sales tax              | 183,000             | 183,000             | 160,371             | (22,629)  |
| Total noncategorical aid                  | <u>\$ 267,006</u>   | <u>\$ 267,006</u>   | <u>\$ 241,373</u>   | <u>\$ (25,633)</u>  |
| Categorical aid:                          |                     |                     |                     |   |
| State roads grants                        | \$ 797,150          | \$ 797,150          | \$ -                | \$ (797,150)  |
| Street and highway maintenance            | 275,739             | 275,739             | 279,292             | 3,553   |
| Litter control                            | 2,792               | 2,792               | 2,935               | 143   |
| State fire funds                          | 19,000              | 19,000              | 17,171              | (1,829)   |
| Public safety grants                      | 145,034             | 145,034             | 162,968             | 17,934  |
| DEQ Grants                                | 403,000             | 403,000             | -                   | (403,000)   |
| Total other categorical aid               | <u>\$ 1,642,715</u> | <u>\$ 1,642,715</u> | <u>\$ 462,366</u>   | <u>\$ (1,180,349)</u>                                     |
| Total categorical aid                     | <u>\$ 1,642,715</u> | <u>\$ 1,642,715</u> | <u>\$ 462,366</u>   | <u>\$ (1,180,349)</u>                                     |
| Total revenue from the Commonwealth       | <u>\$ 1,909,721</u> | <u>\$ 1,909,721</u> | <u>\$ 703,739</u>   | <u>\$ (1,205,982)</u>                                     |
| Revenue from the federal government:      |                     |                     |                     |   |
| Categorical aid:                          |                     |                     |                     |   |
| DMV grants                                | \$ 10,000           | \$ 10,000           | \$ 4,491            | \$ (5,509)  |
| Total categorical aid                     | <u>\$ 10,000</u>    | <u>\$ 10,000</u>    | <u>\$ 4,491</u>     | <u>\$ (5,509)</u>   |
| Total revenue from the federal government | <u>\$ 10,000</u>    | <u>\$ 10,000</u>    | <u>\$ 4,491</u>     | <u>\$ (5,509)</u>   |
| Total General Fund                        | <u>\$ 5,911,926</u> | <u>\$ 5,911,926</u> | <u>\$ 5,267,660</u> | <u>\$ (710,714)</u>                                       |
| Capital Projects Fund:                    |                     |                     |                     |   |
| Revenue from local sources:               |                     |                     |                     |   |
| Revenue from use of money and property:   |                     |                     |                     |   |
| Revenue from the use of money             | \$ -                | \$ -                | \$ 4                | \$ 4  |
| Total Governmental Funds                  | <u>\$ 5,911,926</u> | <u>\$ 5,911,926</u> | <u>\$ 5,267,664</u> | <u>\$ (710,710)</u>                                       |

## Statistical Information

General Fund Expenditures by Function  
Last Ten Fiscal Years

| Fiscal Year<br>Ended<br>June 30, | General<br>Government<br>Administration | Public<br>Safety | Public<br>Works | Community<br>Development | Non-<br>Departmental | Debt<br>Service | Capital<br>Outlays | Total        |
|----------------------------------|---|------------------|-----------------|--------------------------|----------------------|-----------------|--------------------|--------------|
| 2019                             | \$ 1,179,368                            | \$ 1,258,438     | \$ 1,174,072    | \$ 305,150               | \$ -                 | \$ 745,966      | \$ 454,461         | \$ 5,117,455 |
| 2018                             | 1,133,917                               | 1,547,818        | 1,177,787       | 218,306                  | -                    | 546,928         | 5,793,908          | 10,418,664   |
| 2017                             | 1,157,458                               | 1,000,511        | 1,417,674       | 183,444                  | -                    | 383,893         | 348,049            | 4,491,029    |
| 2016                             | 1,058,433                               | 1,159,248        | 1,283,106       | 258,288                  | -                    | 388,108         | 1,020,581          | 5,167,764    |
| 2015                             | 1,027,429                               | 1,034,409        | 1,387,421       | 304,127                  | -                    | 388,609         | 211,352            | 4,353,347    |
| 2014                             | 1,298,958                               | 1,135,714        | 911,123         | 125,704                  | 8,150                | 388,129         | -                  | 3,867,778    |
| 2013                             | 814,069                                 | 1,277,980        | 1,203,515       | 170,583                  | 80,607               | 211,689         | -                  | 3,758,443    |
| 2012                             | 989,472                                 | 1,201,994        | 1,214,505       | 114,253                  | 137,803              | 105,000         | 86,701             | 3,849,728    |
| 2011                             | 1,122,360                               | 1,157,029        | 1,141,320       | 48,416                   | 112,093              | 105,000         | 86,349             | 3,772,567    |
| 2010                             | 852,959                                 | 1,403,128        | 1,120,386       | 120,655                  | -                    | 242,503         | 79,523             | 3,819,154    |

General Fund Revenue by Source  
Last Ten Fiscal Years

| Fiscal<br>Year<br>Ended<br>June 30, | General<br>Property<br>Taxes | Other<br>Local<br>Taxes | Licenses<br>Permits,<br>and<br>Privilege<br>Fees | Fines and<br>Penalties | Use of<br>Money and<br>Property | Miscel-<br>laneous | Inter-<br>Govern-<br>mental | Total        |
|-------------------------------------|------------------------------|-------------------------|--|------------------------|---------------------------------|--------------------|-----------------------------|--------------|
| 2019                                | \$ 868,244                   | \$ 2,257,866            | \$ 542,743                                       | \$ 79,335              | \$ 678,495                      | \$ 132,747         | \$ 708,230                  | \$ 5,267,660 |
| 2018                                | 843,439                      | 2,264,138               | 322,266  | 95,116                 | 41,332                          | 12,604             | 931,653                     | 4,510,548    |
| 2017                                | 816,258                      | 2,254,710               | 307,373  | 32,012                 | 26,323                          | 81,217             | 1,216,221                   | 4,734,114    |
| 2016                                | 785,006                      | 2,076,084               | 198,635  | 74,223                 | 39,264                          | 73,194             | 1,144,938                   | 4,391,344    |
| 2015                                | 906,071                      | 2,082,798               | 195,261  | 118,058                | 26,775                          | 15,265             | 2,057,401                   | 5,401,629    |
| 2014                                | 1,066,225                    | 1,934,150               | 709,415  | 62,117                 | 31,412                          | 21,367             | 622,864                     | 4,447,550    |
| 2013                                | 1,006,758                    | 2,656,046               | 258,267  | 102,690                | 28,631                          | 20,788             | 578,385                     | 4,651,565    |
| 2012                                | 1,009,185                    | 2,244,838               | 234,215  | 80,063                 | 32,630                          | 38,303             | 504,934                     | 4,144,168    |
| 2011                                | 1,039,493                    | 2,126,602               | 253,549  | 51,181                 | 34,159                          | 10,677             | 463,308                     | 3,978,969    |
| 2010                                | 1,052,180                    | 2,080,461               | 195,129  | 69,351                 | 33,772                          | 40,351             | 439,078                     | 3,910,322    |

Real Property Tax Levies and Collections  
Last Ten Fiscal Years

| Fiscal Year<br>Ended<br>June 30, | Total<br>Tax<br>Levy [1] | Total<br>Tax<br>Collections [2] | Percent<br>of Levy<br>Collected | Outstanding<br>Delinquent<br>Taxes | Percent of<br>Delinquent<br>Taxes to<br>Tax Levy |
|----------------------------------|--------------------------|---------------------------------|---------------------------------|------------------------------------|--|
| 2019                             | \$ 858,496               | \$ 861,676                      | 100.37%                         | \$ 63,325                          | 7.38%  |
| 2018                             | 823,413                  | 834,352                         | 101.33%                         | 40,601                             | 4.93%  |
| 2017                             | 771,530                  | 806,502                         | 104.53%                         | 45,638                             | 5.92%  |
| 2016                             | 761,100                  | 775,967                         | 101.95%                         | 59,775                             | 7.85%  |
| 2015                             | 901,736                  | 893,814                         | 99.12%                          | 65,258                             | 7.24%  |
| 2014                             | 954,205                  | 962,884                         | 100.91%                         | 83,233                             | 8.72%  |
| 2013                             | 1,063,060                | 1,006,758                       | 94.70%                          | 88,366                             | 8.31%  |
| 2012                             | 1,033,885                | 1,009,185                       | 97.61%                          | 78,083                             | 7.55%  |
| 2011                             | 1,011,245                | 1,039,493                       | 102.79%                         | 67,923                             | 6.72%  |
| 2010                             | 1,034,544                | 1,052,180                       | 101.70%                         | 64,508                             | 6.24%  |

[1] Figures may not include all abatements or supplements.

[2] Penalties and interest not included.

## TOWN OF DUMFRIES, VIRGINIA

Table 4

Assessed Value of Taxable Property  
Last Ten Fiscal Years

---

| <u>Fiscal<br/>Year</u> |    | <u>Real Estate</u> |
|------------------------|----|--------------------|
| 2019                   | \$ | 451,840,205        |
| 2018                   |    | 433,375,267        |
| 2017                   |    | 406,068,190        |
| 2016                   |    | 404,117,855        |
| 2015                   |    | 388,811,330        |
| 2014                   |    | 359,345,592        |
| 2013                   |    | 339,310,600        |
| 2012                   |    | 310,196,400        |
| 2011                   |    | 284,878,800        |
| 2010                   |    | 292,154,885        |

Property Tax Rates  
Last Ten Fiscal Years

---

| Fiscal<br>Year | Real<br>Estate |
|----------------|----------------|
| 2019           | \$.1899/\$100  |
| 2018           | \$.1899/\$100  |
| 2017           | \$.1899/\$100  |
| 2016           | \$.1899/\$100  |
| 2015           | \$.2333/\$100  |
| 2014           | \$.2733/\$100  |
| 2013           | \$.3133/\$100  |
| 2012           | \$.3333/\$100  |
| 2011           | \$.3533/\$100  |
| 2010           | \$.3533/\$100  |

Legal Debt Margin  
June 30, 2019

---

|  |                             |
|--|-----------------------------|
| Total assessed value of taxed real property                | \$ <u>451,840,205</u>       |
| Debt limit - 10% of total assessed value                   | \$ 45,184,021               |
| Less: Amount of debt applicable to debt limit - gross debt | <u>9,145,000</u>            |
| Legal debt margin  | \$ <u><u>36,039,021</u></u> |

Miscellaneous Statistics  
Last Ten Fiscal Years

---

| <u>Fiscal<br/>Year</u> | <u>Population</u> |
|------------------------|-------------------|
| 2019                   | 5,234             |
| 2018                   | 5,230             |
| 2017                   | 5,186             |
| 2016                   | 5,217             |
| 2015                   | 4,961             |
| 2014                   | 5,207             |
| 2013                   | 5,207             |
| 2012                   | 4,937             |
| 2011                   | 4,937             |
| 2010                   | 4,937             |

## Compliance



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

---

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of Town of Dumfries, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Dumfries, Virginia's basic financial statements, and have issued our report thereon dated November 29, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Dumfries, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Dumfries, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Dumfries, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, as items 2019-001, that we consider to be material weaknesses.

## Compliance and Other Matters

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

### Town of Dumfries, Virginia's Response to Findings

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

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
November 29, 2019

TOWN OF DUMFRIES, VIRGINIA

Schedule of Findings and Responses  
Year Ended June 30, 2019

---

Section I - Summary of Auditors' Results

Financial Statements

|   |            |
|---|------------|
| Type of auditors' report issued:                      | Unmodified |
| Internal control over financial reporting:            |            |
| Material weakness(es) identified?                     | Yes        |
| Significant deficiency(ies) identified?               | No         |
| Noncompliance material to financial statements noted? | Yes        |

Section II - Financial Statement Findings

2019-001: Reporting and Reconciliation of Weldon Cooper Survey (Material Weakness and Noncompliance Material to Financial Statements)

*Criteria:*

Sections 33.2-319 and 33.2-366 of the Code of Virginia requires an annual categorical report accounting for all expenditures of highway maintenance funds. Such reporting is done via the Weldon-Cooper Center Local Finance Survey and is due on March 15th each year. The auditor is responsible for performing audit procedures on the annual Weldon-Cooper Center Local Finance Survey submitted for the year prior to the current audit year.

*Condition:*

The Town did not submit the annual Weldon-Cooper Center survey in fiscal year 2019 for the year ended June 30, 2018 and a reconciliation of revenues (total allocation) and expenditures per the Weldon Cooper Center Local Finance Survey to the locality's general ledger was not able to be completed.

*Cause:*

The Town's internal controls in place to prepare and reconcile the Weldon-Cooper Center Local Finance Survey were not adequate for the Survey due in fiscal year 2019 for the year ended June 30, 2018.

*Effect:*

There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

*Recommendation:*

It is recommended that the Town strengthen internal controls to accurately and timely report highway maintenance expenditures on the Weldon-Cooper Center Local Finance Survey and reconcile the Survey to the automated accounting system.

*Management's Response:*

Sufficient internal controls are in place. This was a failure by a specific staff person who is no longer with the Town. This report has since been submitted.

Section III - Prior Audit Findings

Finding 2018-001 Unrecorded Capital Lease (Material Weakness )

This finding is not reported in 2019.