



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

Prepared by:

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT Year Ended June 30, 2020

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**INTRODUCTORY SECTION** 

TOWN OF Ashiand VIRGINIA

November 6, 2020

The Honorable Members of Town Council Town of Ashland Ashland, Virginia 23005

Dear Members of Town Council:

#### Introduction

The Comprehensive Annual Financial Report of the Town of Ashland, Virginia (Town) for the fiscal year ended June 30, 2020, is submitted herewith as required by the *Code of Virginia*. This report was prepared by the Finance Office in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town.

Included in these financial statements is the General Fund, Capital Projects Fund, and the Other Postemployment Benefits Trust Fund. These funds are included in the financial statements because they meet the control and dependence criteria. The Town adopts budgets, has taxing authority, is obligated for debts, and must finance any deficits that occur in these funds.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.



#### History and Description of Government

Ashland, the only incorporated town in Hanover County, is located approximately fifteen miles north of Richmond, Virginia. Interstate 95, a major north-south highway, is located in the eastern portion of Ashland. The U.S. Census Bureau estimated Ashland's population to be 7,875 for 2020, a 15.9 percent increase over the 2010 Census figure of 6,619. The total population of Hanover County in 2020 was estimated by the Hanover County Planning Department to be 111,325, an increase of one percent from the 2019 estimate. Ashland's population represented approximately 7.0 percent of Hanover's 2019 estimated population.

The government of the Town is under the direction of a Town Council elected by Town voters. The Town Council is made up of five members elected for staggered four-year terms. The Council elects the Mayor from its membership for a two-year term of office. The Council elects a Vice Mayor from among the four remaining members.

The Town owns and maintains all public roads within Ashland except the Interstate 95 highway. It also provides planning and zoning control, drainage facilities, garbage, brush and recycling collection, police protection, and parks as well as other services to its residents.

The Town operates under the Council-Manager form of government where the Council appoints a Town Manager to act as administrative head of the Town. The Manager serves at the pleasure of Council, carries out its policies, directs business procedures, and has the power of appointment and removal of heads of all departments and employees of the Town.

The Council also appoints the Town Attorney and Clerk of Council. The assessment of real estate is by the County Assessor while the Commissioner of Revenue of Hanover County, who is elected by the voters, handles assessments of personal property.

The Town is a part of Hanover County, and the residents of the Town are, in most cases, subject to taxation by both the Town and the County. The Town pre-empts County taxation in the following revenue sources: vehicle licensing, business license taxes, and consumer utility taxes. Among the services the County provides that benefit Town residents are: public schools, water and sewer service, health services, libraries and the Sheriff's Department.

The Town was originally founded as a summer community by the Richmond, Fredericksburg and Potomac Railroad Company. A few years later, Randolph-Macon College moved to the Town bringing additional growth. After the construction of U.S. Route 1 in the early 1900s, an increase in tourist-related growth began.

# TOWN OF Ashland VIRGINIA

Tourism continued to grow with the opening of Interstate 95 in 1963 and, in the 1970s, of Kings Dominion, a large amusement park eight miles north of Ashland. The expansion of the Richmond metropolitan area throughout the 1980s and 1990s brought added development activity to the Ashland/Hanover area.

Most of the employers in the Town are retail, service, or government related. The major employers within the immediate area include Hanover County and its School Board; Randolph-Macon College, a private coeducational college of approximately 1,200 students; and Walmart (which are all located within the Town); Produce Source Partners; Acosta Sales & Marketing; Tyson's; and the Commonwealth of Virginia. A large number of citizens are also employed by business in the Hanover Airpark, just south of Ashland, the City of Richmond, and Henrico County.

#### Significant Local Events

FY2020 was a year quite unlike any we have seen in Ashland. We experienced a strong first eight months which mirrored the trends observed over the past four years – strong demand for commercial and retail space, and a robust downtown shopping district. The arrival of the COVID-19 pandemic in March brought a blow that can only be described as unprecedented to our entire business community. March, April, May, and June were all heavily impacted by wide ranging shifts in consumer demand. The most severe impact was to our restaurant, retail, and lodging industries, all of which were brought to a near standstill by the disappearance of leisure customers and a series of executive orders by the Governor of Virginia.

Prior to March, available office and commercial space was scarce in Ashland, and the immediate impact of the pandemic did not alter this by the end of FY2020. While we did observe a great shift among traditional office occupations as their workforces transitioned to work-from-home arrangements, the full impact of this remains unclear at this time.

Our Downtown district saw the addition of Red Vein Escape Room in a space formerly occupied by a clothing retailer, while two payday loan businesses closed across from one another on the 300 block of England Street. These two sites represent the only new available spaces in the Downtown district at the close of the fiscal year.

As mentioned previously, available retail space in our three major shopping centers was scarce prior to the pandemic. While the full impact of the pandemic will remain to be seen, we saw a spike in available space at the Ashland Hanover Shopping Center late in FY 2020. Much of this is owed to the closure of Gordmans, formerly Peebles, and the movement of Cellular Sales of Virginia across the street to a new building. Overall, our occupancy rate has dropped in 12 months from 86 percent to 73 percent.

Shopping Centers	Total	Available	Occupancy
	SF	SF	
Ashland - Hanover	213,858	66,691	69%
Ashland Junction	141,700	43,736	69%
Ashland Town	58,036	2,000	97%
Center			
Total	413,595	112,427/413595	73%

# TOWN OF Ashiana VIRGINIA

Commercial building activity was muted during FY2020. Eight commercial certificates of occupancy (COs) were issued during the year, a decrease of four from FY 2019. Two certificates of occupancy were issued for residential units during the year, which is ten less than in FY19. Thirty-four new business licenses were approved in FY2020, a decline of 15 from FY2019.

#### Prospects for the Future

As the national economy continues to rebound from the pandemic, our regional economy reflects the same positive trends. We are well positioned to see continued growth in the Town over the next year. There is solid interest for the Town's current vacant retail properties, with focus on Downtown. Growth opportunities are available for redevelopment around the Interstate 95 interchange, with welcomed turnover of legacy restaurants. The Holland-Axselle property remains one of the best opportunities for development on the east coast, and the Town remains committed to assist in its development. Overall, existing businesses and industries are positioned to provide exceptional growth over the coming year and continue the trend of positive overall activity evident in the first eight months of the fiscal year.

#### **Financial Information**

We believe the data, as presented herein, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included.

The Economic Development Authority of the Town of Ashland is a discretely presented component unit and reported separately in the financial statements to emphasize that it is legally separate from the primary government and to differentiate its financial position, and results of operations from those of the primary government.



#### Accounting System, Policies and Budgetary Control

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of the Town's internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Town's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Administrative budgetary control is maintained at the line item level of expenditures prior to the release of purchase orders to vendors.

As the Town considered issuing debt to pay for large scale capital projects, management worked with the Town Council to revise Financial Guidelines. In particular, the Debt and Cash Management section were revised and then relied upon to ensure financing decisions are made within the context of the Town's ability to pay. In addition, the Reserve Funds Management section was revised to ensure sufficient reserves are available to meet emergency needs as well as to require a subsequent plan be developed to replenish reserves if they were to fall below policy guidelines.

#### Independent Audit

The Commonwealth of Virginia requires an annual audit of the financial records and transactions of the Town and all of its departments by independent certified public accountants selected by the Town Council. The requirement has been complied with and the auditor's opinion follows this report.

#### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ashland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. The Town of Ashland has received a Certificate of Achievement for the last thirty-two consecutive years (fiscal years ended 1987 - 2019). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

#### **Acknowledgments**

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Office. We would like to express our appreciation to all those who assisted in and contributed to the preparation of this report.

We would also like to thank the members of Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

va Cun

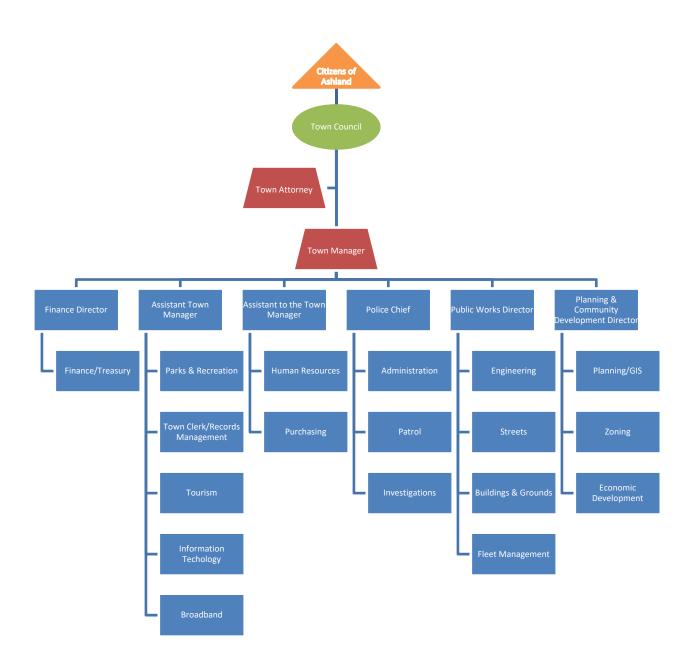
Joshua S. Farrar

# Directory of Principal Officials

# **OFFICIALS**

Steve Trivett		Mayor
John Hodges		Vice-Mayor
	MEMBERS OF COUNCIL	
Kathleen Abbott	Anita Barnhart	Daniel McGraw
	OTHER OFFICIALS	
Joshua Farrar		Town Manager
Cliff Goldsborough		Director of Finance
Matthew Reynal		Clerk of the Council
Andrea Erard		Town Attorney

# **Town of Ashland Organizational Structure**



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

# Town of Ashland Virginia

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

Christophen P. Morrill

Executive Director/CEO

# **FINANCIAL SECTION**



### **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of Council Town of Ashland, Virginia

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component unit and remaining fund information, and the budgetary comparison of the General Fund of the Town of Ashland, Virginia (Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 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, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and 66-75, respectively, 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the accompanying schedules listed in the table of contents as supplementary information, supplemental schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, supplementary information, and supplemental schedules are the responsibility of management and were derived from and relate 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 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 Schedule of Expenditures of Federal Awards, supplementary information, and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have 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 them.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020 on our consideration of the Town'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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PBMares, JZP

Harrisonburg, Virginia November 6, 2020

## Town of Ashland, Virginia Management's Discussion and Analysis

As management of the Town of Ashland, Virginia (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and with the Town's basic financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

#### **Government-Wide Financial Statements**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29,114,061 (net position).
- Long-term obligations of the Town, comprised primarily of bonds payable, compensated absences, net pension liability and net other postemployment benefits liability, increased by \$327,297 during the current fiscal year.

### **Fund Financial Statements**

The governmental funds, on a current financial resource basis, reported revenues and other financing sources less than expenditures and other financing uses by \$4,270,393.

- As of the close of the current fiscal year, the Town's funds reported ending fund balances of \$11,036,466, a decrease of \$4,270,393 in comparison with the prior year. This decrease was expected based on expenditures related to the ongoing Town Hall and Town Pool projects.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,217,205, or approximately 53.5% of total General Fund expenditures and transfers out.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- 1. Government-wide financial statements;
- 2. Fund financial statements; and
- 3. Notes to the financial statements.

This report also contains supplementary information, required supplementary information and supplemental schedules in addition to the basic financial statements themselves.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

<u>Government-wide financial statements</u> - The government-wide financial statements are designed to provide 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 information on all of the Town's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or declining.

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 event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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, police protection, street maintenance, sanitation, building and grounds maintenance, recreation, and community development.

The government-wide financial statements include not only the Town of Ashland, Virginia itself (known as the primary government), but also a legally separate economic development authority for which the Town is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government.

<u>Fund financial statements</u> - 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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the Town fall under the category of governmental funds.

<u>Governmental funds</u> - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. The government-wide financial statements are prepared on the accrual basis of accounting, whereas the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on a near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is more narrow than that of the government-wide financial statements, a reconciliation between the two methods is provided at the succeeding page of the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. The Town has two major governmental funds - the General Fund and the Capital Projects Fund.

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

<u>Other information</u> - In addition to the basic financial statements and accompanying notes to financial statements, this report also presents certain supplementary information for budgetary comparison schedules.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,114,061 at the close of the most recent fiscal year. The following table summarizes the Town's Statements of Net Position:

### Summary Statements of Net Position June 30, 2020 and 2019

	Government	tal A	ctivities		Increase	%
	2020		2019		(Decrease)	Change
Current and other assets	\$ 12,999,683	\$	16,235,188	\$	(3,235,505)	(19.9%)
Capital assets, net	 27,954,268		22,686,863	_	5,267,405	23.2%
Total assets	 40,953,951		38,922,051	_	2,031,900	5.2%
Total deferred outflows of						
resources	 1,179,146		516,466	_	662,680	128.3%
Current liabilities	2,042,621		1,110,386		932,235	84.0%
Noncurrent liabilities	 10,566,304		10,239,007	_	327,297	3.2%
Total liabilities	 12,608,925		11,349,393	_	1,259,532	11.1%
Total deferred inflows of						
resources	 410,111		281,183	_	128,928	45.9%
Net position:						
Net investment in capital assets	23,169,700		22,090,989		1,078,711	4.9%
Unrestricted	 5,944,361		5,716,952	_	227,409	4.0%
Total net position	\$ 29,114,061	\$	27,807,941	\$	1,306,120	4.7%

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The Town's Net Position increased by \$1,360,120 during the current fiscal year. This increase is largely due to increases in local tax revenue collections and a favorable variance between budgeted and actual expenditures in the Town's General Fund and Capital Projects Fund. Consumer tax collection was a high point, being on pace to reach record amounts early in 2020. With the onset of COVID-19, each department significantly limited spending, and was able to offer high level service with limited expenditures. The following table summarizes the Town's Statements of Changes in Net Position:

	Government	tal A	ctivities		Increase	%	
	2020		2019	(Decrease)		Change	
Revenues:							
Program revenues:							
Charges for services	\$ 203,017	\$	224,530	\$	(21,513)	(9.6%)	
Operating grants and contributions	757,679		659,510		98,169	14.9%	
Capital grants and contributions	2,227,545		1,680,931		546,614	32.5%	
General revenues:							
General property taxes	1,470,532		1,388,607		81,925	5.9%	
Other local taxes	5,287,866		5,681,089		(393,223)	(6.9%)	
Grants and contributions not							
restricted	455,668		475,970		(20,302)	(4.3%)	
Other	 363,351		427,030		(63,679)	(14.9%)	
Total revenues	 10,765,658		10,537,667		227,991	2.2%	
Expenses:							
General government administration	1,490,864		1,509,269		(18,405)	(1.2%)	
Public safety	3,080,155		2,840,035		240,120	8.5%	
Public works	3,883,359		4,056,907		(173,548)	(4.3%)	
Parks, recreation and cultural	289,294		295,826		(6,532)	(2.2%)	
Community development	518,466		502,565		15,901	3.2%	
Interest	 197,400		430,312		(232,912)	100.0%	
Total expenses	 9,459,538		9,634,914		(175,376)	(1.8%)	
Change in net position	1,306,120		902,753		403,367	44.7%	
Net Position, beginning	 27,807,941		26,905,188		902,753	3.4%	
Net Position, ending	\$ 29,114,061	\$	27,807,941	\$	1,306,120	4.7%	

#### Summary Statements of Changes in Net Position Years Ended June 30, 2020 and 2019

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

<u>Governmental funds</u> - The focus of the Town's governmental funds is to provide information on nearterm inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported fund balances of \$11,036,466, a decrease of \$4,270,393 in comparison with the prior year. A midyear budget amendment to provide for legislative activities increased expenditures, and a number of large capital projects began in the fiscal year which used available funds. Approximately 47.3% of the total fund balance constitutes unassigned General Fund balance, which is available for spending at the Town's discretion.

The Town's Capital Projects Fund accounts for all major general public improvements. At the end of the current fiscal year, the fund balance was \$5,819,261, all of which was committed for current or future capital projects.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The changes in revenues and expenditures between the original and final General Fund budget were directly related to the COVID-19 pandemic and related public safety shutdown. Tax collections were directly affected by the most significant economic downturn of this century. In reaction to economic conditions, the Town significantly slowed spending in order to mitigate the budgetary impact.

During the year, revenues underperformed budgetary estimates by \$93,936. This was primarily in the areas of meals and lodging taxes, where businesses where affected by the ongoing pandemic and closure of the nearby amusement park. Expenditures were less than budgetary estimates by \$473,207. The difference is due to staffing vacancies in Public Works, caused by not fully opening the Town Pool. Almost all other functions' expenditures also fell below budget, because of conscious cost saving measures Department Heads sought out in reaction to the COVID-19 pandemic.

#### CAPITAL ASSET AND LONG-TERM OBLIGATIONS

<u>Capital assets</u> - The Town's investment in capital assets for its governmental operations as of June 30, 2020 amounted to \$27,954,268 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

Additional information on the Town's capital assets can be found in Note 5 of this report.

<u>Long-term obligations</u> - At the end of the current fiscal year, the Town had total long-term obligations of \$10,994,245.

During the current fiscal year, the Town's long-term obligations increased by \$327,297. There was an increase in the net pension liability of \$391,745 as a result of a change in actuarial assumptions that increased the total pension liability by an amount greater than the increase in the plan fiduciary net position. Additional information on the Town's long-term obligations can be found in Notes 7, 9, 11 and 12 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's budget for the 2020 fiscal year:

- Considerable economic uncertainty concerning the COVID-19 pandemic. Town revenue estimates were conservatively established in light of this uncertainty, given the Town's Reliance on meals and lodging taxes
- The unemployment rate for the County of Hanover, which includes the Town of Ashland, was 3.1% at June 30, 2020. The Commonwealth of Virginia's unemployment rate was 8.0% as of the same date.
- County Sales tax figures remained level through the year, buoyed by online sales.
- The Town will remain on sound footing as travel resumes on Interstate 95, and the corresponding increase to consumer taxes follows.

The fiscal year 2021 budget increased by approximately 5% compared to the Town's amended budget for fiscal year 2020. The uncertainty of the economic recovery has heightened the challenge of forecasting revenues. The Town has instituted monthly revenue reporting and forecasts with an intent to amend the budget as needed.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, 101 Thompson Street, Ashland, Virginia, 23005.

**BASIC FINANCIAL STATEMENTS** 

# STATEMENT OF NET POSITION June 30, 2020

	Primary Government	Component Unit
	Governmental Activities	Economic Development Authority
ASSETS	<b>•</b> • • • • • • • •	<b>•</b> • • • • • •
Cash, cash equivalents and temporary cash investments	\$ 8,722,582	\$ 273,782
Restricted cash, cash equivalents and temporary cash investments	3,479,671	-
Receivables, net:		
Property taxes	354,044	-
Other accounts	256,406	-
Due from other governments	186,980	-
Capital assets:		
Land	2,613,724	-
Buildings and improvements	6,374,078	-
Machinery and equipment	3,797,651	-
Infrastructure	20,597,633	-
Software	193,410	-
Construction in progress	6,937,602	-
Less: accumulated depreciation and amortization	(12,559,830)	-
Total assets	40,953,951	273,782
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	80,761	
Other postemployment benefit plans	430,328	-
Pension plan	668,057	-
Total deferred outflows of resources	1,179,146	-
LIABILITIES	044.250	
Accounts and deposits payable	844,250	-
Accrued payroll and benefits	87,359	-
Accrued interest	13,839	-
Unearned revenue	592,318	-
Performance bonds payable Noncurrent liabilities:	76,914	-
Due within one year:		
·	389,000	
Bonds payable		-
Compensated absences	38,941	-
Due in more than one year:		
Bonds payable	7,956,000	-
Compensated absences	350,464	-
Net other postemployment benefits liability	1,240,300	-
Net pension liability	1,019,540	-
Total liabilities	12,608,925	-
DEFERRED INFLOWS OF RESOURCES		
Property taxes collected in advance	29,162	-
Other postemployment benefit plans	132,390	-
Pension plan	248,559	-
Total deferred inflows of resources	410,111	-
NET POSITION		
Net investment in capital assets	23,169,700	_
Unrestricted	5,944,361	273,782
Total net position	\$ 29,114,061	\$ 273,782
i otal net position	φ <u>29,114,001</u>	φ 213,102

## **STATEMENT OF ACTIVITIES Year Ended June 30, 2020**

						Net (Expense) Changes in N			
			0	ram Revenue		Prim	ary Government	Con	nponent Unit
				Operating	Capital				Economic
		Charges		brants and	Grants and	G	Bovernmental		evelopment
Entity/Functions/Programs	Expenses	for Services	Co	ontributions	Contributions		Activities		Authority
Primary Government:									
Governmental activities:									
General government administration	\$ 1,490,864		- \$	38,051		\$	(1,452,813)	\$	-
Public safety	3,080,155	127,063		241,037	4,272		(2,707,783)		-
Public works	3,883,359	30,490		443,760	1,293,145		(2,115,964)		-
Parks, recreation and cultural	289,294	45,464	·	-	930,128		686,298		-
Community development	518,466	-		34,831	-		(483,635)		-
Interest	197,400	-		-	-		(197,400)		-
Total governmental activities	9,459,538	203,017		757,679	2,227,545		(6,271,297)		-
Total primary government	<u>\$ 9,459,538</u>	\$ 203,017	'\$	757,679	\$ 2,227,545		(6,271,297)		
Component Unit:									
Economic Development Authority	\$ 39,874	\$ -	- \$	32,491	\$ -		-		(7,383)
Total component unit	\$ 39,874	\$ -	- \$	32,491	\$-		-		(7,383)
	General Revenu	les:							
	Taxes:								
	General proj						1,470,532		-
	Other local	taxes:							
	Meals						2,641,703		-
		occupancy					641,204		-
	Business 1						532,600		-
	Local sale	s and use					615,528		-
	Other						856,831		-
		ental, non-catego	orical a	id			455,668		-
	Use of money						250,878		618
	Miscellaneous						112,473		-
	Total	general revenue	es				7,577,417		618
		ge in net position	n				1,306,120		(6,765)
	Net Position, be	ginning					27,807,941		280,547
	Net Position, en	ding				\$	29,114,061	\$	273,782

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# BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2020

		General		Capital Projects	G	Total overnmental Funds
ASSETS	<i><b>•</b></i>	5 000 010	<b>.</b>	0.000.050	¢	
Cash, cash equivalents and temporary cash investments	\$	5,823,310	\$		\$	8,722,582
Restricted cash, cash equivalents and temporary cash investments		-		3,479,671		3,479,671
Receivables, net:		254 044				254 044
Property taxes		354,044		-		354,044
Other accounts		256,406		-		256,406
Due from other governments		151,782		35,198		186,980
Total assets	\$	6,585,542	\$	6,414,141	\$	12,999,683
LIABILITIES						
Accounts and deposits payable	\$	249,370	\$	594,880	\$	844,250
Accrued payroll and benefits		87,359	•	-	•	87,359
Performance bonds payable		76,914		-		76,914
Unearned revenue		592,318		-		592,318
Total liabilities		1,005,961		594,880		1,600,841
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes collected in advance		29,162		-		29,162
Unavailable revenue - property taxes		333,214		-		333,214
Total deferred inflows of resources		362,376		-		362,376
FUND BALANCES						
Restricted for:						
Capital projects		-		3,479,671		3,479,671
Committed:						
Capital projects		-		2,339,590		2,339,590
Unassigned		5,217,205		-		5,217,205
Total fund balances		5,217,205		5,819,261		11,036,466
Total liabilities, deferred inflows of resources and fund balances	\$	6,585,542	\$	6,414,141	\$	12,999,683

## **RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2020**

	Governmen	tal Fı	
Total fund balances - governmental funds		\$	11,036,466
Amounts reported for governmental activities in the			
Statement of Net Position are different because:			
Capital assets used in governmental activities			
are not current financial resources and, therefore,			
are not reported in the governmental funds.			
Governmental capital assets	\$ 40,514,098		
Less: accumulated depreciation and amortization	(12,559,830)		
Net capital assets			27,954,268
Deferred outflows of resources - charge on refunding,			
pension plan, and other postemployment plans represent a			
consumption of net position that applies to a future period			
and is not recognized as deferred outflows of resources in			
the governmental funds.			1,179,146
Other long-term assets are not available to pay for			
current period expenditures and, therefore, are			
reported as unavailable revenue in the			
governmental funds.			333,214
Long-term liabilities are not due and payable in the			
current period and, therefore, are not reported as			
liabilities in the governmental funds.			
General obligation bonds	(8,345,000)		
Net other postemployment benefits liability	(1,240,300)		
Net pension liability	(1,019,540)		
Compensated absences	(389,405)		
Accrued interest	(13,839)		(11 000 00/
Deferred inflows of resources - pension plan and other			(11,008,084
postemployment plans represent an acquisition of net			
position that applies to a future period and is not recognized			
as deferred inflows of resources in the governmental funds.			(380,949
Net position of governmental activities		\$	29,114,061

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2020

	General	Capital Projects	Total Governmenta Funds	1
Revenues:				
General property taxes	\$ 1,414,873	\$ -	\$ 1,414,87	
Other local taxes	5,287,866	-	5,287,86	
Permits, privilege fees and regulatory licenses	33,250	9,403	42,65	
Fines and forfeitures	83,875	-	83,87	
Use of money and property	132,088	118,790	250,87	
Charges for services	45,464	-	45,46	
Miscellaneous	112,473	-	112,47	
Recovered costs	10,500	20,525	31,02	
Intergovernmental	 2,500,846	868,897	3,369,74	-3
Total revenues	 9,621,235	1,017,615	10,638,85	50
Expenditures:				
Current:				
General government administration	1,519,480	-	1,519,48	
Public safety	2,909,810	-	2,909,81	
Public works	3,061,123	-	3,061,12	
Parks, recreation and cultural	146,572	-	146,57	
Community development	509,955	-	509,95	
Capital outlay Debt service:	-	6,211,158	6,211,15	8
Principal	278,000		278,00	0
Interest	306,838	-	306,83	
Bond issuance costs	156,307		156,30	
Dond issuance costs	 150,507		150,50	,,
Total expenditures	 8,888,085	6,211,158	15,099,24	3
<b>Revenues over (under) expenditures</b>	 733,150	(5,193,543)	(4,460,39	93)
Other financing sources (uses):				
Issuance of refunding bonds	8,623,000	-	8,623,00	00
Payment to refunded bond escrow agent	(8,433,000)	-	(8,433,00	
Transfers in (out)	(858,094)	858,094	(0,100,000	-
Total other financing sources (uses), net	 (668,094)	858,094	190,00	)0
Net change in fund balances	65,056	(4,335,449)	(4,270,39	93)
Fund balances, beginning	 5,152,149	10,154,710	15,306,85	59
Fund balances, ending	\$ 5,217,205	\$ 5,819,261	\$ 11,036,46	6

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2020**

	Governmental Funds			
Net change in fund balances - total governmental funds		\$ (4,270,393)		
Reconciliation of amounts reported for governmental activities				
in the Statement of Activities:				
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 and amortization expense. This				
is the amount by which capital outlays exceeded				
depreciation and amortization in the current period.	<b>•</b> • • • • • • •			
Expenditures for capital assets	\$ 6,292,627			
Less: depreciation and amortization expense	(996,221)			
Excess of capital outlays over depreciation and amortization		5,296,406		
The net effect of transactions involving capital assets				
(i.e. disposals, donations, and transfers) is to decrease net position		(29,001)		
Revenues in the Statement of Activities that do not provide				
current financial resources and are not reported as revenues				
in the governmental funds.		55,659		
Dakt magazada magrida aumant financial magaunas ta				
Debt proceeds provide current financial resources to				
governmental funds, but issuing debt increases long-term				
liabilities in the Statement of Net Position. Repayment				
of principal is an expenditure in the governmental funds,				
but the repayment reduces long-term liabilities in the				
Statement of Net Position.				
Issuance of debt:		/		
General obligation debt		(8,623,000)		
Deferred charge on refunding		84,330		
Principal repayments:				
General obligation bonds		278,000		
Refunded bonds		8,433,000		
Deferred outflows of resources - pension and OPEB plan				
contributions subsequent to measurement date		355,970		
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.				
Accrued interest	113,007			
Amortization of deferred charges on refunding	(3,569)			
OPEB expense	44,339			
Pension expense	(428,681)			
Compensated absences	53			
		(274,851)		
Change in net position of governmental activities		\$ 1,306,120		
See Notes to Einancial Statements		15		

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2020

	General Fund							
		Budgetec	l Am	ounts	Actual		Variance with Final Budget Over	
	Budgeted Amounts Original Final			Amounts	(Under)			
Revenues:		0						
General property taxes	\$	1,277,100	\$	1,277,100	\$	1,414,873	\$	137,773
Other local taxes		5,597,360		5,597,360		5,287,866		(309,494)
Permits, privilege fees and regulatory licenses		23,000		23,000		33,250		10,250
Fines and forfeitures		96,000		96,000		83,875		(12,125)
Use of money and property		105,600		105,600		132,088		26,488
Charges for services		96,500		96,500		45,464		(51,036)
Miscellaneous		38,350		55,168		112,473		57,305
Recovered costs		2,950		2,950		10,500		7,550
Intergovernmental		2,461,493		2,461,493		2,500,846		39,353
Total revenues		9,698,353		9,715,171		9,621,235		(93,936)
Expenditures:								
Current:								
General government administration		1,480,894		1,480,894		1,519,480		38,586
Public safety		2,966,845		2,991,663		2,909,810		(81,853)
Public works		3,428,803		3,428,803		3,061,123		(367,680)
Parks, recreation and cultural		232,751		232,751		146,572		(86,179)
Community development		559,149		559,149		509,955		(49,194)
Nondepartmental		47,600		47,600		-		(47,600)
Debt service:								
Principal		304,432		304,432		278,000		(26,432)
Interest		316,000		316,000		306,838		(9,162)
Bond issuance costs		-		-		156,307		156,307
Total expenditures		9,336,474		9,361,292		8,888,085		(473,207)
<b>Revenues over expenditures</b>		361,879		353,879		733,150		379,271
Other financing sources (uses):								
Issuance of refunding bonds		-		-		8,623,000		8,623,000
Payment to refunded bond escrow agent		-		_		(8,433,000)		(8,433,000)
Transfers out		(858,094)		(858,094)		(858,094)		-
Total other financing uses, net		(858,094)		(858,094)		(668,094)		190,000
Net change in fund balance	\$	(496,215)	\$	(504,215)		65,056	\$	569,271
0						,		<u> </u>
Fund balance, beginning						5,152,149		
Fund balance, ending					\$	5,217,205		

# STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND June 30, 2020

OPEB Trust Fund			
Trust T unu			
\$ 1,676,826			
1,676,826			
\$ 1.676.826			

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND Year Ended June 30, 2020

	OPEB Trust Fund		
Additions:			
Contributions:			
Employer	\$	136,000	
Plan members		101,401	
Total contributions		237,401	
Investment income:			
From investment activities:			
Interest and dividends earned on investments		663	
Net increase in fair value of investments		48,498	
Total income from investment activities		49,161	
Total additions		286,562	
Deductions:			
Administrative fees		2,265	
Benefits paid		101,401	
Total deductions		103,666	
Change in net position		182,896	
Net position, beginning		1,493,930	
Net position, ending	\$	1,676,826	

## NOTES TO FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies

#### A. <u>Reporting Entity</u>

The Town of Ashland, Virginia (the "Town") is governed by an elected five member Council. The Town provides a full range of services for its citizens. These services include police protection, refuse collection services, and recreational activities.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed by GASB. Component units include any legally separate organizations for which the Town Council is financially accountable. Financial accountability results where there is 1) fiscal dependence and a financial benefit or burden relationship, 2) a voting majority of the organization's governing body appointed by the Town Council and a financial benefit or burden relationship, or 3) a voting majority of the organization's governing body appointed by Town Council and the Town Council has the ability to impose its will on the organization.

Even if financial accountability is not established, a potential component unit may still need to be reported simply because it would be misleading to exclude it.

Blended component units, although legally separate entities, are, in substance, part of the Town's operations and functions as an integral part of the primary government, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2020. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Town.

#### Discretely Presented Component Unit

The Town of Ashland's Economic Development Authority (the Authority) was created by Town Council to administer the issuance of industrial development revenue bonds and provide economic development activities for the Town. The Authority may also acquire property and issue debt in its own name and may also enter into lease/purchase arrangements with the Town. The Town appoints all seven of the members of the Authority's Board of Directors, the Town Manager serves as the Secretary of the Authority, and the Town has the ability to impose its will on the Authority. Due to these factors, the Town has the ability to significantly influence the fiscal affairs of the Authority. The Authority does not issue separate financial statements but is included in the Town's financial statements for the fiscal year ended June 30, 2020 as a discretely presented component unit.

## NOTES TO FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies (Continued)

#### A. <u>Reporting Entity</u> (Continued)

#### Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The following entities are jointly governed organizations and are excluded from the accompanying basic financial statements:

<u>Central Virginia Waste Authority</u>: The Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Municipalities of Colonial Heights, Hopewell, Petersburg, Richmond and the Town of Ashland provide financial support for the Authority and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The Town appoints one or more members to the Board. No one locality contributes more than 50% of the Authority's funding or has oversight responsibility over its operations. The Town has no equity interest in the Authority. Complete financial statements can be obtained from the office of the Central Virginia Waste Authority.

Pamunkey Regional Jail Authority: The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The County of Hanover serves as fiscal agent for the Jail Authority; however, the board formulates and approves its own budget. The Town of Ashland does not bear any direct or indirect liabilities for the operation of the Jail Authority and has no equity interest in it. The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the Town is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. Hanover County has agreed to pay the per diem rate for all prisoners of the Town and, therefore, the Town made no contributions in fiscal year 2020. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

#### **Basis of Presentation**

*Government-wide Statements*: The Statement of Net Position and the Statement of Activities display information about the primary government (the Town) and its component unit. These statements include the financial activities of the overall government, except fiduciary activities. For the most part, the effect of interfund activity has been removed. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

*Fund Financial Statements*: The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

#### General Fund

The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

## Capital Projects Fund

This fund accounts for financial resources to be used for capital outlays and construction. This fund is always considered major for public interest reasons.

The Town also reports the following fund type:

#### Fiduciary Fund

The Town's sole fiduciary fund is the Other Postemployment Benefits (OPEB) Trust Fund which accounts for activities of the Town's other postemployment benefits. This fund accumulates resources for health insurance for retired employees. This fund utilizes the accrual basis of accounting and economic resources measurement focus. The fiduciary fund is not included in the government-wide financial statements.

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

#### B. <u>Measurement Focus</u>, Basis of Accounting and Financial Statement Presentation (Continued)

*Government-wide Financial Statements*: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

#### C. <u>Budgetary Data</u>

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB Statement No. 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

1) On or before May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

#### C. <u>Budgetary Data</u> (Continued)

- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.
- 4) The Appropriations Resolution places legal restrictions on expenditures at the department or category level for the General Fund and the Capital Projects fund. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
- 5) All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 6) Appropriations lapse on June 30 every year.
- 7) All budgetary data presented in the accompanying financial statements is the revised budget as of June 30, 2020, as adopted, appropriated and legally amended.
- 8) The expenditure budget is enacted through an annual appropriations ordinance. If budget amendments exceed 1% of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. There was one budget amendment during the year that exceeded 1% of the original budget.

Expenditures and other financing uses in the general fund exceeded budget by \$7,959,793 due to the bond refunding transactions not being reflected in the budget.

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

1) <u>Deposits and Investments</u>

## Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. The Town has short-term investments classified as cash and cash equivalents consisting of investments in a local government investment pool which is reported at amortized cost. The Town also has short-term investments in the Virginia State Non-Arbitrage Program.

## Investments

The Town participates in an extended maturity local government external investment pool which is reported at fair value in accordance with GASB Statement No. 72 and is classified as investments.

## Restricted Cash and Cash Equivalents

A portion of the Capital Project Fund's cash balance is restricted due to unspent bond proceeds.

## NOTES TO FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies (Continued)

D. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund</u> <u>Balance/Net Position</u> (Continued)

## 2) <u>Property Taxes</u>

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

	Real	Personal
	Property	Property
Levy	January 1	January 1
Due date	January 15 of the following year	January 15 of the following year
Lien date	February 16	February 16

The portion of the taxes receivable which is not collected within 45 days after June 30 is shown as deferred inflows of resources – unavailable revenue. A penalty of 10% of the tax is assessed after the applicable payment date. The total amount of any taxes or levies and penalty shall bear interest at a rate of 10% per annum from the day after the due date which, for property taxes, is January sixteenth until paid.

The Town bills and collects its own property taxes.

#### 3) <u>Capital Assets</u>

Capital assets, which include property, equipment, infrastructure, and intangible assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets and infrastructure are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Maintenance, repairs and minor renewals are charged to operations when incurred. Expenditures/expenses which materially increase values or extend useful lives are capitalized.

As allowed by GASB standards, the Town has elected not to capitalize infrastructure already in place as of June 30, 2003. Effective July 1, 2003, the Town is capitalizing all infrastructure additions that meet the aforementioned capitalization requirements.

The Town's intangible assets include software and are subject to amortization over its useful life.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Machinery and equipment	5 - 10 years
Infrastructure	20 - 40 years
Software	5 years

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

D. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund</u> <u>Balance/Net Position</u> (Continued)

## 4) <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Town has several items that qualify for reporting in this category and they relate to the pension plan and other postemployment benefits (OPEB) plans. See Notes 9, 11, and 12 for details regarding these items.

In addition to liabilities, the Statement of Net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Town has several types of items that qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The remaining items relate to the pension plan and OPEB plans. See Notes 9, 11, and 12 for details regarding these items.

## 5) <u>Compensated Absences</u>

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

## 6) <u>Long-Term Obligations</u>

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

## NOTES TO FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies (Continued)

- D. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund</u> <u>Balance/Net Position</u> (Continued)
  - 6) <u>Long-Term Obligations</u> (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 7) <u>Fund Balance</u>

In the fund financial statements, governmental funds report classifications of fund balance as follows:

- *Nonspendable fund balance* amounts that are not in spendable form or are required to be maintained intact;
- *Restricted fund balance* amounts constrained to specific purposes by their providers (such as grantors, creditors, or laws and regulations of other governments), or by law through constitutional provisions, or by enabling legislation;
- *Committed fund balance* amounts that can be used only for specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Council is the highest level of decision-making authority that can, by adoption of an ordinance, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation;
- Assigned fund balance amounts constrained by the Town's intent but are neither restricted or committed; and
- Unassigned fund balance residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within 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.

In the General Fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 50% of the actual GAAP basis expenditures and other financing sources.

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

D. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund</u> <u>Balance/Net Position</u> (Continued)

## 8) <u>Net Position</u>

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

#### 9) <u>Pensions</u>

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

#### 10) Other Postemployment Benefits (OPEB)

## Retiree Healthcare Plan

The Town of Ashland Retiree Healthcare Plan (TARHP) is a single employer plan administered by the Town. Experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is five years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average remaining service life for all active and inactive members.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the TARHP and additions to/deductions from TARHP's fiduciary net position have been determined on the same basis as they are reported by TARHP. For this purpose, TARHP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

D. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund</u> <u>Balance/Net Position</u> (Continued)

## 10) <u>Other Postemployment Benefits (OPEB)</u> (Continued)

## Group Life Insurance Program

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

## E. <u>Use of Estimates</u>

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 and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## F. <u>Subsequent Events</u>

The Town has evaluated subsequent events through November 6, 2020, the date on which the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS

#### Note 2. Deposits and Investments

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

<u>Custodial Credit Risk (Deposits)</u>: This is the risk that in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town requires all deposits to comply with the Act. At year-end, none of the other Town's deposits were exposed to custodial credit risk.

<u>Investments</u>: Statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP) and the State Non-Arbitrage Program (SNAP).

The Town has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Town's investments in the LGIP, totaling \$3,347,684, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year. The Town also has investments in an LGIP Extended Maturity portfolio, totaling \$3,165,558, which is stated at fair value and classified as investments. The LGIP Extended Maturity has been assigned an "AAAf/S1" rating by Standard & Poor's. The maturity of the LGIP is greater than one year.

The Town has investments in the SNAP totaling \$3,479,671. The SNAP is a specialized commingled investment program that operates in compliance with GASB Statement No. 79. The Town's investments in SNAP are stated at amortized cost. The SNAP has been assigned an "AAAm" rating by Standard & Poor's.

<u>Investment Policy</u>: The goal of the Town is to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives, cash flow considerations, and laws of the Commonwealth that restrict placement of certain public funds.

The Town participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate audited financial report, which can be obtained at https://valocalfinance.org/opeb or by writing to VML/VACO, 8 East Canal Street, Richmond, Virginia 23219.

<u>Interest Rate Risk</u>: Interest rate risk is defined as the risk that changes of interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy related to interest rate risk.

## NOTES TO FINANCIAL STATEMENTS

#### Note 2. Deposits and Investments (Continued)

	Fair		
Investment Type	Value	1	l - 5 Years
LGIP Extended Maturity	\$ 3,165,558	\$	3,165,558
Total	\$ 3,165,558	\$	3,165,558

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2020:

- LGIP Extended Maturity is valued using quoted market prices (Level 1 input).
- Investments held by the VML/VACO Pooled OPEB Trust. Refer to the Trust Fund's separate financial report for further information and required disclosures.

#### Note 3. Receivables

Receivables at June 30, 2020 for the Town, including the allowance for uncollectible accounts, are as follows:

	Genera Fund	
Property taxes	\$	455,302
Other accounts		256,406
Gross receivables		711,708
Less allowance for uncollectable accounts (property taxes)		(101,258)
Net receivables	\$	610,450

The Town determines its allowance for uncollectible accounts using historical collection data and specific account analysis.

## NOTES TO FINANCIAL STATEMENTS

## Note 4. Due from Other Governments

Due from other governments includes the following:

	Primary Government
General Fund:	
Other local governments:	
County of Hanover:	
Local sales and use taxes	\$ 107,054
Fines and forfeitures	2,502
	109,556
Commonwealth of Virginia:	
Communications sales and use taxes	35,444
Mobile home titling tax	1,890
Automobile rental tax	4,892
	42,226
Total General Fund	151,782
Capital Projects Fund:	
Commonwealth of Virginia:	
Regional Surface Transportation Program	6,888
Stormwater Management Fees	756
Federal government:	
Categorical aid:	
Regional Surface Transportation Program	27,554
Total Capital Projects Fund	35,198
Total due from other governments	\$ 186,980

## NOTES TO FINANCIAL STATEMENTS

## Note 5. Capital Assets

Capital asset activities for the year ended June 30, 2020 are as follows:

		Beginning Balance ne 30, 2019	1	Additions	Deletions	T	ransfers	Ju	Ending Balance ne 30, 2020
Primary Government:									
Capital assets not being depreciated									
or amortized:									
Land	\$	2,542,575	\$	71,149	\$ -	\$	-	\$	2,613,724
Construction in progress		1,335,191		5,729,812	(97,450)		(29,951)		6,937,602
Total capital assets not being									
depreciated or amortized		3,877,766		5,800,961	(97,450)		(29,951)		9,551,326
Capital assets being depreciated or amortized:									
Buildings and improvements		6,374,078		-	-		-		6,374,078
Machinery and equipment		3,554,923		424,579	(181,851)		-		3,797,651
Infrastructure		20,429,446		138,236	-		29,951		20,597,633
Software		193,410		-	-		-		193,410
Total capital assets being									
depreciated or amortized		30,551,857		562,815	(181,851)		29,951		30,962,772
Less accumulated depreciation or amortization for:									
Buildings and improvements		(1,719,142)		(176,704)	-		-		(1,895,846)
Machinery and equipment		(2,637,814)		(286,267)	179,151		-		(2,744,930)
Infrastructure		(7,213,693)		(511,950)	-		-		(7,725,643)
Software		(172,111)		(21,300)	-		-		(193,411)
Total accumulated depreciation									
or amortization	(	11,742,760)		(996,221)	179,151		-	(	(12,559,830)
Total capital assets being									
depreciated or amortized, net		18,809,097		(433,406)	(2,700)		29,951		18,402,942
Governmental activities capital									
assets, net	\$ 2	22,686,863	\$	5,367,555	\$ (100,150)	\$	-	\$	27,954,268

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 27,239
Public safety	148,538
Public works	684,934
Parks, recreation and cultural	129,533
Community development	5,977
Total depreciation and amortization expense -	
governmental activities	\$ 996,221

## NOTES TO FINANCIAL STATEMENTS

#### Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following:

Fund	Transfers In			insfers Out
General Fund	\$	-	\$	858,094
Capital Projects Fund		858,094		-
Total	\$	858,094	\$	858,094

The transfer from the General Fund to the Capital Projects Fund was to provide cash funding for capital projects to be completed by the Town.

## Note 7. Long-Term Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2020:

	Beginning			Ending	Due Within
	Balance	Increases	Decreases	Balance	One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 8,433,000	\$8,623,000	\$(8,711,000)	\$ 8,345,000	\$ 389,000
Compensated absences payable	389,458	366,006	(366,059)	389,405	38,941
<b>Governmental activities</b>					
long-term liabilities	\$ 8,822,458	\$8,989,006	\$(9,077,059)	\$ 8,734,405	\$ 427,941

The General Fund has been used in prior years to liquidate the liabilities for compensated absences, pension and other postemployment benefits.

Annual requirements to amortize long-term debt exclusive of compensated absences are as follows:

	General Obligation Bonds			on Bonds	
Year(s) Ending June 30,		Principal	Interest		
2021	\$	389,000	\$	162,195	
2022		397,000		154,374	
2023		406,000		146,384	
2024		413,000		138,235	
2025		422,000		129,927	
2026 - 2030		2,238,000		519,072	
2031 - 2035		2,474,000		284,869	
2036 - 2038		1,606,000		48,377	
	\$	8,345,000	\$	1,583,433	

## NOTES TO FINANCIAL STATEMENTS

## Note 7. Long-Term Obligations (Continued)

\$8,623,000 general obligation bond issued to refund the Series 2018 general obligation bond, due in annual principal installments ranging from \$389,000 to \$546,000 through December 2037, plus interest payable semi-annually at 1.99%.	\$ 8,345,000
Total General Obligation Bonds	\$ 8,345,000

## Current Year Refunding of Debt

In September 2019, the Town issued a general obligation bond totaling \$8,623,000 for the purpose of refunding \$8,433,000 of outstanding series 2018 bonds. This current refunding was undertaken to reduce total debt service payments over the next eighteen years by \$1,318,565, resulting in an economic gain of \$1,094,017.

## Note 8. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has coverage with the Virginia Risk Sharing Association (the "Association") for all insurable risks identified by the Town. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

#### NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan

Name of Plan:Virginia Retirement System (VRS)Identification of Plan:Agent Multiple-Employer Pension PlanAdministering Entity:Virginia Retirement System (System)

## A. Plan Description

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

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

		ΠΙΔΚΙ				
PLAN 1	PLAN 2	RETIREMENT PLAN				
About Plan 1	About Plan 2	About the Hybrid Retirement Plan				
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	plan. The retirement benefit is based on a member's age,	<ul> <li>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</li> <li>The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li> <li>The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contributions from the balance in the defined contribution account,</li> </ul>				

contributions,

HVRRID

reflecting

required fees.

the

investment gains or losses, and any

## NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

## PLAN 1

#### **Eligible Members**

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

#### Hybrid Opt-In Election

VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

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

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

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

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

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

#### **Eligible Members**

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

PLAN 2

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

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

# **RETIREMENT PLAN**

**HYBRID** 

#### **Eligible Members**

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

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

#### \*Non-Eligible Members

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

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

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

## NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

## PLAN 1

## PLAN 2

#### **Retirement Contributions**

Members contribute 5% of their Same as Plan 1. compensation each month to their member contribution account through a pretax salary reduction. Member contributions are taxdeferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

#### **Service Credit**

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

#### **Retirement Contributions** Same as Plan 1.

#### Service Credit Same as Plan 1.

# RETIREMENT PLAN

HYBRID

#### **Retirement Contributions**

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

#### Service Credit

#### Defined Benefit Component:

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

#### Defined Contribution Component:

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

#### NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 2

## HYBRID RETIREMENT PLAN

#### Vesting

#### **Vesting** Same as Plan 1.

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

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

## Vesting

#### Defined Benefit Component:

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

Defined Contribution Component:

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

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

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

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

Distribution is not required, except as governed by law.

## NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

**Calculating the Benefit** 

the

plan multiplier.

retirement benefit.

using

applied.

|--|

The basic benefit is determined

compensation, service credit and

retirement reduction factor is

applied to the Basic Benefit if the

member retires with a reduced

where the member has elected an

optional form of retirement

payment, an option factor specific to the option chose is then

average

final

An early

In cases

## PLAN 2

**Calculating the Benefit** See definition under Plan 1. HYBRID RETIREMENT PLAN

#### **Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1.

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

#### **Average Final Compensation**

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

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

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

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

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

**Political subdivision hazardous duty employees:** Same as Plan 1.

#### **Average Final Compensation**

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

#### **Service Retirement Multiplier**

*Defined Benefit Component: VRS:* The retirement multiplier for the defined benefit component is 1.0%.

For members that 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.

Political subdivision hazardous duty employees: Not applicable.

*Defined Contribution Component:* Not applicable.

## NOTES TO FINANCIAL STATEMENTS

## Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. Political subdivision hazardous	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivision hazardous	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivision hazardous
duty employees: Age 60.	duty employees: Same as Plan 1.	duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.
Political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of service credit.
<b>Political subdivision hazardous duty employees:</b> Age 50 with at least five years of service credit.	<b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

#### NOTES TO FINANCIAL STATEMENTS

#### Note 9. **Pension Plan (Continued)**

A. <u>Plan Description</u> (Continued)

		IIIDKID
PLAN 1	PLAN 2	RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement
The Cost-of-Living Adjustment	The Cost-of-Living Adjustment	Defined Benefit Component:
(COLA) matches the first 3%		Same as Plan 2.
increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	(CPI-U) and half of any	<i>Defined Contribution Component:</i> Not applicable.
Eligibility:	Eligibility:	Eligibility:
For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA	Same as Plan 1.	Same as Plan 1 and Plan 2.

Dates:

Exceptions to COLA Effective Exceptions to COLA Effective Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

HYBRID

The COLA is effective July 1 Same as Plan 1. following one full calendar year (January 1 to December 31) under of the following anv circumstances:

will go into effect on July 1 after one full calendar year from the

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July

after one calendar year

unreduced

the

retirement eligibility date.

retirement date.

1

following

Dates:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.

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#### NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1

PLAN 2

## HYBRID RETIREMENT PLAN

#### Cost-of-Living Adjustment (COLA) in Retirement (Continued) Exceptions to COLA Effective Dates (continued):

- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

#### **Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

#### **Disability Coverage**

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

#### **Disability Coverage**

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

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

## NOTES TO FINANCIAL STATEMENTS

## Note 9. Pension Plan (Continued)

A. <u>Plan Description</u> (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<ul> <li>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exception:</li> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> <li>Defined Contribution Component: Not applicable.</li> </ul>

B. Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	53
Inactive members:	
Vested	18
Non-vested	21
Active elsewhere in VRS	43
Total inactive members	82
Active members	61
Total covered employees	196

## NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

#### C. Contributions

The contribution requirement for active employees is governed by Section 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 contribution rate for the year ended June 30, 2020 was 9.89% of covered compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$337,646 and \$326,545 for the years ended June 30, 2020 and 2019, respectively.

#### D. Net Pension Liability

The Town's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

#### **Actuarial Assumptions – General Employees**

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense,
	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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension benefits.

## NOTES TO FINANCIAL STATEMENTS

## Note 9. Pension Plan (Continued)

## D. <u>Net Pension Liability</u> (Continued)

#### Actuarial Assumptions – General Employees (Continued)

Mortality Rates:	15% of deaths are assumed to be service-related.
– Pre-retirement:	RP-2014 Employee Rates at 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability Discount Rate	Increase rate from 14% to 15% Decrease rate from 7.00% to 6.75%

## NOTES TO FINANCIAL STATEMENTS

## Note 9. Pension Plan (Continued)

#### D. <u>Net Pension Liability</u> (Continued)

#### **Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2018, 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 as of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense,
	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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality Rates: 45% of deaths are assumed to be s	service related.
--	------------------

- Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

#### NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

#### D. <u>Net Pension Liability</u> (Continued)

#### Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a lognormal 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

			Weighted
		Arithmetic	Average
		Long-Term	Long-Term
	Target	Expected	Expected
Asset Class (Strategy)	Allocation	Rate of Return	Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%	-	5.13%
	Inflation	-	2.50%
* Expected arithmetic	7.63%		

\* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

#### NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

#### D. <u>Net Pension Liability</u> (Continued)

#### **Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rates. Based on those assumptions, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

### E. Changes in the Net Pension Liability

	Increase (Decrease)					
	Total Pension Pla		an Fiduciary		Net Pension	
		Liability Ne		Net Position		Liability
Balances at June 30, 2018	\$	15,929,921	\$	15,302,126	\$	627,795
Changes for the Year:						
Service cost		421,206		-		421,206
Interest		1,090,109		-		1,090,109
Assumption changes		521,400		-		521,400
Difference between expected and						
actual experience		(109,450)		-		(109,450)
Contributions – employer		-		326,545		(326,545)
Contributions – employee		-		192,298		(192,298)
Net investment income		-		1,023,406		(1,023,406)
Benefit payments, including refunds						
of employee contributions		(713,877)		(713,877)		-
Administrative expense		-		(10,085)		10,085
Other changes		-		(644)		644
Net changes		1,209,388		817,643		391,745
8		, ,		, -		, -
Balances at June 30, 2019	\$	17,139,309	\$	16,119,769	\$	1,019,540

## NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

#### E. Changes in the Net Pension Liability (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 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

				Current		
	19	% Decrease	Di	scount Rate	1	% Increase
		(5.75%)		(6.75%)		(7.75%)
Town's net pension liability (asset)	\$	3,357,341	\$	1,019,540	\$	(839,287)

## F. <u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to</u> <u>Pensions</u>

For the year ended June 30, 2020, the Town recognized pension expense of \$428,163. The Town also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred		]	Deferred
	Outflows			Inflows
	of R	esources	of	Resources
Differences between expected and actual experience	\$	-	\$	(103,469)
Change in assumption		330,411		-
Net difference between projected and actual earnings on				
pension plan investments		-		(145,090)
Employer contributions subsequent to the measurement date		337,646		-
Total	\$	668,057	\$	(248,559)

The \$337,646 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 108,465
2022	(30,208)
2023	(4,514)
2024	 8,109
	\$ 81,852

## NOTES TO FINANCIAL STATEMENTS

#### Note 9. Pension Plan (Continued)

#### G. Pension Plan Data

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <u>varetire.org/pdf/publications/2019-annual-report.pdf</u>, or by writing to the System's VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

#### Note 10. Trust for Other Postemployment Benefits

The Town has established an irrevocable trust pursuant to Section 15.2-1544 of the *Code of Virginia*, as amended, for the purpose of accumulating and investing assets to fund Other Postemployment Benefits and to participate in the Virginia Pooled OPEB Trust Fund and has established a Local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial and investment services to the Participating Employers in the Trust Fund. For the fiscal year ended June 30, 2020, the Town and plan members contributed \$237,401 to the Trust Fund. Administrative expenses allocated to the Trust Fund during the fiscal year ended June 30, 2020 totaled \$2,265. The Trust Fund issues a separate report, which can be obtained by writing to VML/VACO Finance Program, 1108 East Main Street, Richmond, Virginia 23219.

## Note 11. Other Postemployment Benefits – Retiree Healthcare Plan

#### A. Plan Description

Other postemployment benefits provided by the Town include a single employer defined benefit retiree health insurance premium plan. The Town allows retirees who are eligible to retire with a pension benefit from the System and have at least 15 years of full-time service with the Town to remain on their health insurance plan once they retire. Health benefits include medical, dental and vision coverage. Any amendments to the plan must be approved by Town Council.

## NOTES TO FINANCIAL STATEMENTS

## Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

#### A. <u>Plan Description</u> (Continued)

## **RETIREE HEALTHCARE PLAN PROVISIONS**

#### Eligible Employees

A Town of Ashland retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Town sponsored Retiree Healthcare plan.

#### Retirement Eligibility

Employees may retire under the VRS with an unreduced pension benefit under the following age and service requirements:

- Plan 1 eligible employees
  - Age 50 and 30 years of service
  - Age 65 and 5 years of service
- Plan 2 and Hybrid plan eligible employees
  - Normal Social Security retirement age and at least 5 years of service, or, when your age and your years of service equal 90

#### **Benefit Amounts**

The Town will provide a premium credit toward a retiree's health insurance premium at a rate of \$35.00 plus \$3.00 for each year of service per month. To be eligible for this premium credit, the retiree must have a minimum of 15 years of service with the Town and must be enrolled in the Town sponsored health insurance at the time of retirement. If an employee retires with 25 years of service to the Town, and is enrolled in the Town sponsored health insurance premium for the retiree. This premium credit is only for the retiree, it is not applicable to the premium charges for any covered family members. At age 65 retirees must enroll in Medicare as their primary insurer and may transition to the Town sponsored Medicare Supplement plan if they so desire. Premium credits would apply to the Medicare Supplement plan as described above.

#### **Reduction in Benefit Amounts**

Plan 1 eligible employees may retire with a reduced pension benefit at age 50 and 10 years of service or age 55 and 5 years of service. Plan 2 and Hybrid eligible employees may retire with a reduced pension benefit at age 60 with 5 years of service.

## Death of a Retiree

Upon the death of a retiree, the surviving spouse may retain health insurance coverage if they pay the entire cost of the premium. Survivors of active employees are not eligible for postretirement benefits, even if the deceased active was eligible to retire at the time of death.

## NOTES TO FINANCIAL STATEMENTS

#### Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

#### B. Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

	Number
Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	61
Total	79

#### C. <u>Contributions</u>

The contributions to the OPEB Trust Fund are established by and may be amended by Town Council. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. For the year ended June 30, 2020, the Town's average contribution rate was 6.64 percent of covered-employee payroll. Employees are not required to contribute to the plan.

#### D. Net Retiree Healthcare OPEB Liability

The Town's net Retiree Healthcare OPEB liability of \$957,482 was measured as of June 30, 2020, and the total Retiree Healthcare OPEB liability used to calculate the net Retiree Healthcare OPEB liability was determined by an actuarial valuation as of July 1, 2019.

#### E. Actuarial Assumptions

The total Retiree Healthcare Plan OPEB liability was based on an actuarial valuation as of July 1, 2018, using the Entry Age Normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Payroll growth	3.00% per annum
Discount rate	6.50% per annum
Healthcare cost trend rates	Medical and Stop Loss: 6.0% graded down to 4.2% over
	60 years

#### Mortality Rates – General Employees

The following mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

<u>Pre-Commencement:</u> RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back one year, 85% of rates; females set back one year.

<u>Post-Commencement:</u> RP-2014 Employee Rates to age 49, Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year; females set back one year with 1.5% increase compounded from ages 70 to 85.

<u>Post-Disablement:</u> RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

## NOTES TO FINANCIAL STATEMENTS

#### Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

## E. <u>Actuarial Assumptions</u> (Continued)

#### *Mortality Rates – Public Safety Employees*

<u>Pre-Commencement:</u> 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 one year.

<u>Post-Commencement:</u> RP-2014 Employee Rates to age 49, Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

<u>Post-Disablement:</u> RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male.

#### F. Changes in the Net Retiree Healthcare OPEB Liability

	Increase (Decrease)						
	Total OPEB P		Plan	lan Fiduciary		et OPEB	
		Liability	Net	Position	Ι	Liability	
		(a)		(b)		(a) - (b)	
Balance at June 30, 2019	\$	2,368,629	\$	1,493,929	\$	874,700	
Changes for the year:							
Service cost		72,288		-		72,288	
Interest		171,449		-		171,449	
Difference between expected and							
actual experience		246,655		-		246,655	
Changes in assumptions		(123,312)		-		(123,312)	
Benefit payments		(101,401)		(101,401)		-	
Employer contributions		-		237,401		(237,401)	
Net investment income		-		49,161		(49,161)	
Administrative expenses		-		(2,264)		2,264	
Net changes		265,679		182,897		82,782	
Balance at June 30, 2020	\$	2,634,308	\$	1,676,826	\$	957,482	

## NOTES TO FINANCIAL STATEMENTS

#### Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

#### G. Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan 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 plan 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:

		Long-Term	Long-Term
		Expected	Expected
	Target	Arithmetic Real	Geometric Real
Asset Class (Strategy)	Allocation	Rate of Return	Rate of Return
Core Fixed Income	21.00%	1.56%	1.47%
Large Cap US Equities	26.00%	4.33%	3.23%
Small Cap US Equities	10.00%	5.64%	3.82%
Global Equities	5.00%	5.27%	4.01%
Developed Foreign Equities	13.00%	5.94%	4.45%
Emerging Market Equities	5.00%	8.03%	5.28%
Hedge Funds / Absolute Return	10.00%	2.88%	2.40%
Real Estate (REITS)	7.00%	3.84%	3.13%
Commodities	3.00%	2.83%	1.27%
	100.00%		
	Assumed Inflation	2.60%	2.60%
Portfol	io Real Mean Return	4.10%	3.53%
Portfolio N	ominal Mean Return	6.70%	6.22%
Portfolio	o Standard Deviation		10.53%
Long-Term Expe	cted Rate of Return		6.50%

#### H. Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## NOTES TO FINANCIAL STATEMENTS

## Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

#### I. Sensitivity of the Town's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

	Current Discount						
	1% Decrease			Rate	1	% Increase	
		(5.50%)		(6.50%)		(7.50%)	
Total OPEB Liability	\$	2,987,138	\$	2,634,308	\$	2,337,796	
Fiduciary Net Position		1,676,826		1,676,826		1,676,826	
Net OPEB Liability	\$	1,310,312	\$	957,482	\$	660,970	

#### J. Sensitivity of the Town's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Current Medical						
	1% Decrease			rend Rate	1	% Increase	
Total OPEB Liability	\$	2,292,561	\$	2,634,308	\$	3,052,982	
Fiduciary Net Position		1,676,826		1,676,826		1,676,826	
Net OPEB Liability	\$	615,735	\$	957,482	\$	1,376,156	

#### K. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

## L. <u>Retiree Healthcare OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of</u> <u>Resources Related to OPEB</u>

For the year ended June 30, 2020, the Town recognized Retiree Healthcare OPEB expense of \$188,324. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the Retiree Healthcare OPEB from the following sources:

	Ou	Deferred utflows of esources	Deferred Inflows of Resources		
Differences between expected and actual experience Changes of assumptions Net difference between projected and actual earnings on	\$	216,938 108,183	\$	(108,455)	
OPEB program investments		46,147		-	
Total	\$	371,268	\$	(108,455)	

## NOTES TO FINANCIAL STATEMENTS

#### Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

L. <u>Retiree Healthcare OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of</u> <u>Resources Related to OPEB</u> (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	1	Amount
2021	\$	43,706
2022		43,707
2023		49,805
2024		44,285
2025		33,839
Thereafter		47,471
Total	\$	262,813

#### Note 12. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

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

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the 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 OPEB.

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

#### A. <u>Plan Description</u> (Continued)

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

#### **GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS**

#### Eligible Employees

The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

#### **Benefit** Amounts

The benefits payable under the GLI have several components.

- Natural Death Benefit The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit The accidental death benefit is double the natural death benefit.
  - Other Benefit Provisions In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - o Accelerated death benefit option

### **Reduction in Benefit Amounts**

The benefit amounts provided to members covered under the GLI 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.

#### Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

#### B. Contributions

The contribution requirements for the GLI are governed by Sections 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 was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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 from the Town were \$18,324 and \$17,721 for the years ended June 30, 2020 and 2019, respectively.

C. <u>GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred</u> <u>Inflows of Resources Related to the Group Life Insurance Program OPEB</u>

At June 30, 2020, the Town's reported liability for its proportionate share of the net GLI OPEB liabilities was \$282,818. The net GLI OPEB liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employers' proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Town's portion was 0.01738% as compared to 0.01765% at June 3, 2018.

For the year ended June 30, 2020, the Town recognized GLI OPEB expense of \$6,000. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

## NOTES TO FINANCIAL STATEMENTS

#### Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. <u>GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred</u> <u>Inflows of Resources Related to the Group Life Insurance Program OPEB</u> (Continued)

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	D	eferred		
	Ou	tflows of	Defe	rred Inflows
	Re	esources	of	Resources
Differences between expected and actual experience	\$	18,809	\$	(3,669)
Net difference between projected and actual earnings on				
GLI OPEB program investments		-		(5,809)
Change in assumptions		17,856		(8,528)
Changes in proportion		4,071		(5,929)
Employer contributions subsequent to the measurement date		18,324		-
Tetal	¢	50.060	¢	(22,025)
Total	\$	59,060	3	(23,935)

The \$18,324 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, 2021. 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 Ending June 30,	Amount		
2021	\$	592	
2022		592	
2023		3,053	
2024		5,668	
2025		5,498	
Thereafter		1,398	
Total	\$	16,801	

## NOTES TO FINANCIAL STATEMENTS

#### Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

#### D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%					
Salary increases, including inflation:						
Locality – general employees	3.5%-5.3	5%				
Locality – hazardous duty employees	3.5%-4.7	5%				
Investment rate of return	6.75%,	net	of	investment	expenses,	including
	inflation*	*			-	-

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

#### Mortality Rates – General Employees

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

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

<u>Post-Disablement:</u> RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

## NOTES TO FINANCIAL STATEMENTS

#### Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

#### D. Actuarial Assumptions (Continued)

#### Mortality Rates – 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 one 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 one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

#### E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI 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, 2019, NOL amounts (in thousands) for the GLI are as follows (in thousands):

	Group Life Insurance OPEB
	Program
Total GLI OPEB liability	\$ 3,390,238
Plan fiduciary net position	1,762,972
GLI net OPEB liability	\$ 1,627,266

Plan fiduciary net position as a percentage of the total GLI OPEB liability

52.00%

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 financial statements and required supplementary information.

### NOTES TO FINANCIAL STATEMENTS

#### Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

#### F. Long-Term Expected Rate of Return

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

			Weighted
		Arithmetic Long-	Average Long-
	Target	Term Expected	Term Expected
Asset Class (Strategy)	Allocation	Rate of Return	Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
* Expected arithmet		7.63%	

\* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

#### G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the participating employers 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 rates. From July 1, 2019 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.

## NOTES TO FINANCIAL STATEMENTS

#### Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

#### H. <u>Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount</u> <u>Rate</u>

The following presents the Town's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the Town'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 (5.75%) or one percentage point higher (7.75%) than the current rate:

		Current Discount							
	1%	Decrease		Rate	19	% Increase			
	(	(5.75%)		(6.75%)		(7.75%)			
Town	\$	371,545	\$	282,818	\$	210,863			

### I. <u>GLI Fiduciary Net Position</u>

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <u>varetire.org/Pdf/Publications/2019-annual-report.pdf</u>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

## Note 13. Pending GASB Statements

At June 30, 2020, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 87, *Leases*, will increase the usefulness of the financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No.* 61, will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 91, *Conduit Debt Obligation*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associate with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for the fiscal years beginning after December 15, 2021.

## NOTES TO FINANCIAL STATEMENTS

#### Note 13. Pending GASB Statements (Continued)

GASB Statement No. 92, *Omnibus 2020*, will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including intra-entity transfers, the effective date of No. 87, *Leases*, the applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. Statement No. 92 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate-most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after June 15, 2020, June 15, 2021, and December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). Statement No. 94 will be effective for the fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, will increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

Management has not determined the effect these new Statements may have on prospective financial statements.

## NOTES TO FINANCIAL STATEMENTS

#### Note 14. Contingencies

#### Federal and State-Assisted Programs

The Town has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

#### Note 15. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries and governments, including the Town. While it is unknown how long these conditions will last, many Town activities were and continue to be affected.

**REQUIRED SUPPLEMENTARY INFORMATION** 

## SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
		2014		2015		2016		2017	2018	2019
Total Pension Liability										
Service cost	\$	370,012	\$	422,045	\$	423,410	\$	439,647	\$ 433,809	\$ 421,206
Interest		868,776		919,423		930,643		985,287	1,043,033	1,090,109
Difference between expected and actual experience		-		(664,104)		(12,340)		71,604	(121,573)	(109,450)
Assumption changes		-		-		-		(50,661)	-	521,400
Benefit payments, including refunds of employee contributions		(528,309)		(502,233)		(531,917)		(590,249)	(651,629)	(713,877)
Net change in total pension liability		710,479		175,131		809,796		855,628	703,640	1,209,388
Total pension liability - beginning		12,675,247		13,385,726		13,560,857		14,370,653	15,226,281	15,929,921
Total pension liability - ending (a)	\$	13,385,726	\$	13,560,857	\$	14,370,653	\$	15,226,281	\$15,929,921	\$17,139,309
Plan Fiduciary Net Position										
Contributions - employer	\$	393,953	\$	399,899	\$	414,669	\$	326,438	\$ 338,777	\$ 326,545
Contributions - employee		191,125		153,253		156,949		182,391	182,941	192,298
Net investment income		1,640,891		557,131		225,268		1,578,406	1,064,626	1,023,406
Benefit payments, including refunds of employee contributions		(528,309)		(502,233)		(531,917)		(590,249)	(651,629)	(713,877)
Administrative expense		(8,708)		(7,463)		(7,775)		(9,029)	(9,126)	(10,085)
Other		86		(117)		(94)		(1,405)	(950)	(644)
Net change in plan fiduciary net position	_	1,689,038		600,470		257,100		1,486,552	924,639	817,643
Plan fiduciary net position - beginning		10,344,327		12,033,365		12,633,835		12,890,935	14,377,487	15,302,126
Plan fiduciary net position - ending (b)	\$	12,033,365	\$	12,633,835	\$	12,890,935	\$	14,377,487	\$15,302,126	\$16,119,769
The Town's net pension liability - ending (a) - (b)	\$	1,352,361	\$	927,022	\$	1,479,718	\$	848,794	\$ 627,795	\$ 1,019,540
Plan fiduciary net position as a percentage of the total pension liability Covered payroll The Town's net pension liability as a percentage of covered	\$	89.90% 3,068,170	\$	93.16% 3,038,746	\$	89.70% 3,150,980	\$	94.43% 3,172,381	96.06% \$ 3,292,293	94.05% \$ 3,301,769
payroll		44.08%		30.51%		46.96%		26.76%	19.07%	30.88%

#### Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

# SCHEDULE OF TOWN CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

		Fiscal Year June 30,										
		2014		2015		2016		2017	2018	2019		2020
Contractually required contribution (CRC)	\$	393,953	\$	399,899	\$	414,669	\$	326,438	\$ 338,777	\$ 326,545	\$	337,646
Contributions in relation to the CRC		393,953		399,899		414,669		326,438	338,777	326,545		337,646
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$ -	\$ -	\$	
Employer's covered payroll Contributions as a percentage of covered	\$ 1	3,068,170	\$	3,038,746	\$	3,150,980	\$	3,172,381	\$ 3,292,293	\$ 3,301,769	\$ 3	3,414,014
payroll		12.84%		13.16%		13.16%		10.29%	10.29%	9.89%		9.89%

#### Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2020

#### Note 1. Changes of Benefit Terms

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

#### Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### **Non-Hazardous Duty**

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020					
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75					
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service					
Disability Rates	Lowered rates					
Salary Scale	No change					
Line of Duty Disability	Increase rate from 14% to 20%					
Discount Rate	Decrease 7.00% to 6.75%					

#### **Hazardous Duty**

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2020

## Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

#### **Non-Hazardous Duty**

Mortality Rates:	15% of deaths are assumed to be service related.
Pre-retirement:	RP-2014 Employee Rates at 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.

#### **Hazardous Duty**

Mortality Rates:	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.

# SCHEDULES OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS – RETIREE HEALTHCARE PLAN

Fiscal Year June 30,					
	2018	2019	2020		
\$	56,594 \$	60,556 \$	72,288		
	139,876	148,086	171,449		
	-	-	246,655		
	-	146,141	(123,312)		
	(85,314)	(80,868)	(101,401)		
	111,156	273,915	265,679		
	1,983,558	2,094,714	2,368,629		
\$	2,094,714 \$	2,368,629 \$	2,634,308		
\$	200,514 \$ 109,538 (85,314)	212,868 \$ 67,596 (80,868)	237,401 49,161 (101,401)		
	222,968	197,661	(2,264) 182,897		
	1,073,300	1,296,268	1,493,929		
\$	1,296,268 \$	1,493,929 \$	1,676,826		
\$	798,446 \$	874,700 \$	957,482		
\$	61.88% 3,356,524 \$	63.07% 3,407,808 \$	63.65% 3,523,846		
	\$ \$ \$	2018 \$ 56,594 \$ 139,876 - (85,314) 111,156 1,983,558 \$ 2,094,714 \$ \$ 200,514 \$ 109,538 (85,314) (1,770) 222,968 1,073,300 \$ 1,296,268 \$ \$ 798,446 \$ 61.88%	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$		

#### Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

# SCHEDULE OF THE TOWN'S PLAN CONTRIBUTIONS – OPEB – RETIREE HEALTHCARE PLAN

	Fiscal Year June 30,						
	2018			2019		2020	
Contractually required contribution (CRC)	\$	200,514	\$	212,868	\$	237,401	
Contributions in relation to the CRC		200,514		212,868		237,401	
Contribution deficiency (excess)	\$	-	\$		\$	-	
Employer's covered payroll	\$	3,356,524	\$	3,407,808	\$	3,523,846	
Contributions as a percentage of covered payroll		5.97%		6.25%		6.74%	

# SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,					
	2017	2018	2019			
Employer's proportion of the net GLI OPEB liability	0.01730%	0.01765%	0.01738%			
Employer's proportionate share of the net GLI OPEB liability	\$ 260,000 \$	269,000 \$	282,818			
Employer's covered payroll	3,191,793	3,356,524	3,407,808			
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.16%	8.01%	8.30%			
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%			

## SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution (CRC)	\$	12,129 \$	12,117 \$	15,013 \$	15,733 \$	16,064 \$	16,739 \$	16,597 \$	17,454 \$	17,721 \$	18,324
Contributions in relation to the CRC		12,129	12,117	15,013	15,733	16,064	16,739	16,597	17,454	17,721	18,324
Contribution deficiency (excess)	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	-
Employer's covered payroll	\$	2,756,822 \$	2,753,755 \$	2,832,720 \$	2,968,496 \$	3,030,874 \$	3,158,341 \$	3,191,793 \$	3,356,524 \$	3,407,808 \$	3,523,846
Contributions as a percentage of covered payroll		0.44%	0.44%	0.53%	0.53%	0.53%	0.53%	0.52%	0.52%	0.52%	0.52%

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2020

#### Note 1. Retiree Healthcare Plan

#### **Changes of Benefit Terms**

There have been no actuarially material changes to the Retiree Healthcare Plan benefit provisions since the prior actuarial valuation.

#### **Changes of Assumptions**

The following changes in actuarial assumptions from the July 1, 2017 valuation were made effective July 1, 2019:

Age-Related Claims Costs	Monthly medical costs for retirees increased compared to the prior valuation.
Healthcare Trend Rates	Lowered trend assumption rates, and determined ultimate rates starting in earlier years.

#### Note 2. Group Life Insurance Program

#### **Changes of Benefit Terms**

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

#### **Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2017:

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

General Employees

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2020

## Note 2. Group Life Insurance Program (Continued)

## Changes of Assumptions (Continued)

## 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

SUPPLEMENTARY INFORMATION

# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND Year Ended June 30, 2020

	Capital Projects Fund								
								ariance with	
								Final Budget	
		Budgeted	An			Actual		Over (Under)	
Revenues:		Original		Final		Amounts		(Under)	
Use of money	\$	55,000	\$	239,844	\$	118,790	\$	(121,054)	
Permits, privilege fees and regulatory licenses	φ	8,727	φ	8,727	φ	9,403	φ	(121,034) 676	
Recovered costs		0,727		6,168		20,525		14,357	
Intergovernmental		135,927		145,845		868,897		723,052	
intergovernmentar		155,727		145,645		000,077		725,052	
Total revenues		199,654		400,584		1,017,615		617,031	
Expenditures:									
Capital outlay		9,954,053		12,027,802		6,211,158		(5,816,644)	
Total expenditures		9,954,053		12,027,802		6,211,158		(5,816,644)	
Revenues under expenditures		(9,754,399)		(11,627,218)		(5,193,543)		6,433,675	
Other financing sources:				0.50.004					
Transfers in		858,094		858,094		858,094			
Total other financing sources		858,094		858,094		858,094			
Net change in fund balance		(8,896,305)		(10,769,124)		(4,335,449)		6,433,675	
Fund balance, beginning		8,896,305		10,769,124		10,154,710		(614,414)	
Fund balance, ending	\$		\$	-	\$	5,819,261	\$	5,819,261	

## STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY June 30, 2020

	Econom Developm Authorit		
ASSETS			
Cash, cash equivalents and temporary cash investments	\$	273,782	
Total assets	\$	273,782	
NET POSITION			
Unrestricted	\$	273,782	
Total net position	\$	273,782	

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY Year Ended June 30, 2020

	Economic Development Authority
Operating revenues:	
Charges for services:	
Miscellaneous	\$ 32,491
Total operating revenues	32,491
Operating expenses:	
Other supplies and expenses	39,874
Other supplies and expenses	
Total operating expenses	39,874
Operating loss	(7,383)
Nonoperating revenue: Interest earnings	618
interest earnings	018
Total nonoperating revenue	618
Change in net position	(6,765)
Total net position, beginning	280,547
Total net position, ending	\$ 273,782

## STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY Year Ended June 30, 2020

	Dev	conomic velopment authority
Cash Flows From Operating Activities:		
Receipts from miscellaneous items Payments for operating activities	\$	32,491 (39,874)
Net cash used in operating activities		(7,383)
Cash Flows From Investing Activities: Interest received		618
Decrease in cash and cash equivalents		(6,765)
Cash, cash equivalents and temporary cash investments: Beginning		280,547
Ending	\$	273,782

SUPPLEMENTAL SCHEDULES

# SCHEDULE OF REVENUES – BUDGET AND ACTUAL GOVERNMENTAL FUNDS Year Ended June 30, 2020

ntity, Fund, Major and Minor Revenue Source rimary Government: General Fund: Revenue from local sources: General property taxes: Real estate taxes Real and personal public service corporation property taxes Personal property taxes Mobile home taxes Mobile home taxes Mobile home taxes Mobile home taxes Mobile home taxes Motor penaltice Interest <b>Total general property taxes</b> Consumption taxes Business license taxes Consumption taxes Business license taxes Motor vehicle taxes Cigarette taxes Bank stock taxes Mach taxes Total other local taxes: Total other local taxes Fransient occupancy taxes Concession stand sales taxes Total other local taxes Fines and forfeitures Fines and forfeitures Fines and forfeitures Fines and forfeitures Fines and forfeitures Charges for services: Parks and recreation Miscellaneous Recovered costs: Randolph Macon College Other								ariance with nal Budget
		Budgeted	l Am		-	Actual		Over
		Original		Final		Amounts		(Under)
	\$	795,000	¢	795,000	\$	852,021	\$	57,021
	φ	38,000	φ	38,000	φ	42,042	φ	4,042
		400,000		400,000		451,123		51,123
		1,100		1,100		431,123 923		(177)
		14,000		14,000		15,217		1,217
		19,000		19,000		34,423		15,423
		19,000		19,000		19,124		9,124
Interest		10,000		10,000		19,124		9,124
Total general property taxes		1,277,100		1,277,100		1,414,873		137,773
Local sales and use taxes		584,785		584,785		615,528		30,743
Consumer utility taxes		145,000		145,000		169,973		24,973
Consumption taxes		55,000		55,000		37,893		(17,107)
Business license taxes		535,000		535,000		532,600		(2,400)
Motor vehicle taxes		112,000		112,000		126,807		14,807
Cigarette taxes		250,000		250,000		232,379		(17,621)
Bank stock taxes		350,000		350,000		289,779		(60,221)
Meals taxes		2,750,000		2,750,000		2,641,703		(108,297)
Transient occupancy taxes		815,000		815,000		641,204		(173,796)
Concession stand sales taxes		575		575		-		(575)
Total other local taxes		5,597,360		5,597,360		5,287,866		(309,494)
Permits, privilege fees and regulatory licenses:								
		23,000		23,000		33,250		10,250
Fines and forfeitures		96,000		96,000		83,875		(12,125)
Use of money and property:								
Revenue from use of money		87,000		87,000		108,088		21,088
		18,600		18,600		24,000		5,400
Total use of money and property		105,600		105,600		132,088		26,488
Charges for services:								
		96,500		96,500		45,464		(51,036)
Miscellaneous		38,350		55,168		112,473		57,305
Recovered costs:								
		2,500		2,500		9,965		7,465
		450		450		535		85
Total recovered costs		2,950		2,950		10,500		7,550
Total revenue from local sources		7,236,860		7,253,678		7,120,389		(133,289)

# SCHEDULE OF REVENUES – BUDGET AND ACTUAL GOVERNMENTAL FUNDS Year Ended June 30, 2020

Entity, Fund, Major and Minor Revenue Source	 Budgeted Original	l Am	ounts Final	•	Actual Amounts	riance with nal Budget Over (Under)
Primary Government:						
General Fund:						
Intergovernmental:						
Revenue from the Commonwealth:						
Non-categorical aid:						
Mobile home titling taxes	\$ 2,000	\$	2,000	\$	3,780	\$ 1,780
Auto rental taxes	110,000		110,000		104,755	(5,245)
Communication sales and use taxes	260,000		260,000		224,637	(35,363)
Personal property tax relief	111,774		111,774		111,774	-
Rolling stock taxes	 10,000		10,000		10,722	722
Total non-categorical aid	 493,774		493,774		455,668	(38,106)
Categorical aid:						
DJCP law enforcement assistance	176,957		176,957		183,856	6,899
Fire programs	25,000		25,000		26,315	1,315
Litter control	3,359		3,359		2,648	(711)
Arts grant	4,500		4,500		4,050	(450)
Street and highway maintenance	 1,748,903		1,748,903		1,724,193	(24,710)
Total categorical aid	 1,958,719		1,958,719		1,941,062	(17,657)
Total revenue from the Commonwealth	 2,452,493		2,452,493		2,396,730	(55,763)
Revenue from the federal government: Categorical aid:						
Bulletproof vest grant	3,000		3,000		1,357	(1,643)
Transportation safety	6,000		6,000		6,345	345
Local law enforcement block grant	-		-		4,272	4,272
CARES funding	-		-		91,692	91,692
Arts grant	 -		-		450	450
Total revenue from the federal government	 9,000		9,000		104,116	95,116
Total intergovernmental revenue	 2,461,493		2,461,493		2,500,846	39,353
Total General Fund	\$ 9,698,353	\$	9,715,171	\$	9,621,235	\$ (93,936)

# SCHEDULE OF REVENUES – BUDGET AND ACTUAL GOVERNMENTAL FUNDS Year Ended June 30, 2020

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original Final					Actual Amounts		riance with nal Budget Over (Under)
Primary Government:								
Capital Projects Fund:								
Revenue from local sources:								
Revenue from use of money	\$	55,000	\$	239,844	\$	118,790	\$	(121,054)
Permits, privilege fees and regulatory licenses:								
Stormwater management permits		8,727		8,727		9,403		676
Recovered costs		-		6,168		20,525		14,357
Total revenue from local sources		63,727		254,739		148,718		(106,021)
Intergovernmental:								
Revenue from the Commonwealth:								
Categorical aid:								
RSTP trolley line trail grant		-		-		171,796		171,796
DCJS asset forfeiture program		-		9,918		9,918		-
Total categorical aid		-		9,918		181,714		171,796
Total revenue from the Commonwealth		-		9,918		181,714		171,796
Revenue from the federal government: Categorical aid:								
RSTP trolley line trail grant		135,927		135,927		687,183		551,256
Total revenue from the federal government		135,927		135,927		687,183		551,256
Total intergovernmental revenue		135,927		145,845		868,897		723,052
Total Capital Projects Fund	\$	199,654	\$	400,584	\$	1,017,615	\$	617,031
Grand Total Revenues - Primary Government	\$	9,898,007	\$	10,115,755	\$	10,638,850	\$	523,095

# SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL GOVERNMENTAL FUNDS Year Ended June 30, 2020

inity, Fund, Function, Activity and Elements Timary Government: General Fund: General government administration: Legislative: Town Council General and financial administration: Town manager Town manager Town manager Town manager Town manager Town manager Town manager Town manager Town manager Total general and financial administration Total general and financial administration Total general government administration Total general government administration Public safety: Law enforcement and traffic control: Police Fire and rescue services: Fire department Ambulance and rescue services Total fue and rescue services Total public safety Public works: Maintenance of highways, streets, bridges and sidewalks: Engineering/administration Street maintenance Storm drainage Snow and ice removal Traffic engineering Street lights Total maintenance of highways, streets, bridges and sidewalks Sanitation and waste removal: Refuse collection and disposal				Variance with Final Budget
Entity Fund Function Activity and Elements	Budgeted A Original	Amounts Final	Actual Amounts	Over (Under)
	Oligilia	1 IIIdi	Amounts	(Older)
General government administration:				
Town Council	\$ 123,472	\$ 123,472	\$ 127,397	\$ 3,925
General and financial administration:				
Town manager	618,427	618,427	600,239	(18,188)
Tourism	201,950	201,950	224,889	22,939
Treasurer	271,157	271,157	320,916	49,759
Information technology	262,588	262,588	242,345	(20,243)
Board of elections	3,300	3,300	3,694	394
Total general and financial administration	1,357,422	1,357,422	1,392,083	34,661
Total general government administration	1,480,894	1,480,894	1,519,480	38,586
Public safety:				
Law enforcement and traffic control:				
Police	2,931,645	2,956,463	2,873,495	(82,968)
Fire and rescue services:				
Fire department	30,200	30,200	31,315	1,115
Ambulance and rescue services	5,000	5,000	5,000	-
Total fire and rescue services	35,200	35,200	36,315	1,115
Total public safety	2,966,845	2,991,663	2,909,810	(81,853)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering/administration	774,954	774,954	778,095	3,141
Street maintenance	1,763,997	1,763,997	1,473,886	(290,111)
Storm drainage	56,000	56,000	85,425	29,425
Snow and ice removal	50,500	50,500	1,762	(48,738)
Traffic engineering	55,200	55,200	37,600	(17,600)
Streetlights	56,000	56,000	54,069	(1,931)
Total maintenance of highways, streets,				
bridges and sidewalks	2,756,651	2,756,651	2,430,837	(325,814)
	287,251	287,251	283,364	(3,887)
Maintenance of general buildings and grounds:				
General properties	227,074	227,074	197,243	(29,831)
Vehicle maintenance	157,827	157,827	149,679	(8,148)
Total public works	3,428,803	3,428,803	3,061,123	(367,680)

# SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL GOVERNMENTAL FUNDS Year Ended June 30, 2020

the Fact Francisco Astronom (Filmente	s and recreation $s$ $232,751$ $s$ $232,751$ $s$ $232,751$ $s$ $232,751$ $s$ $146,572$ ent: $139,470$ $139,470$ $127,531$ $139,470$ $127,531$ inty development $559,149$ $559,149$ $509,955$ 10PEB $47,600$ $47,600$ $-$ artmental $47,600$ $47,600$ $-$ vice $620,432$ $60,432$ $74,1145$ 1 FAnd $$$$ $9,36,242$ $74,102$ remement program $$$$ $175,199$ $$$$ $-$ ng $172,055$ $246,005$ $108,018$ $44,260$ $51,851$ $  156,307$ rents $148,133$ $148,133$ $71,028$ $ 156,307$ ng $172,055$ $246,005$ $108,018$ $ -$ action $8,938,424$ $8,938,736$ $  30,000$ $23,290$ $-$ namintenance $238,736$ $ 10,065$ $31,291$ $-$ <	Variance w Final Budg Over (Und						
tity, Fund, Function, Activity and Elements imary Government:		Original		Final		Amounts	01	/er (Under)
imary Government: General Fund:								
Parks, recreation and cultural:								
Supervision of parks and recreation	¢	232 751	¢	232 751	¢	146 572	\$	(86,17
Supervision of parks and recreation	φ	232,731	φ	232,731	φ	140,572	ψ	(00,17
Community development:								
Planning and zoning		419,679		419,679		382,424		(37,25
Economic development		139,470		139,470		127,531		(11,93
Total community development		559,149		559,149		509,955		(49,19
Nondonartmontal								
Nondepartmental: Contribution to fund OPEB		47 600		47 600				(17 60
Contribution to fund OPEB		47,000		47,000		-		(47,60
Total nondepartmental		47,600		47,600		-		(47,60
Debt service:								
Principal		304,432		304,432		278,000		(26,43
Interest				-		-		(9,16
Bond issuance costs		-		-				156,30
Total debt service		620,432		620,432		741,145		120,71
Total General Fund	\$	9,336,474	\$	9,361,292	\$	8,888,085	\$	(473,20
apital Projects Fund:								
Capital outlay:								
Residential streets improvement program	\$		\$	175,199	\$	-	\$	(175,19
Sidewalks and curbing				,		108,018		(137,9
Ashland Theatre						-		(51,8
Drainage improvements						71,058		(77,0)
Stormwater management program		,				-		(338,73
Downtown campus maintenance						-		(23,29
Public works facilities		89,464				50,562		(93,27
Mechumps Creek Restoration, Phase II		-		,		-		(3,09
Transportation 2040 Master Plan		-		· · ·				2,6
Traffic safety improvements								(21,52
Public works vehicle replacement								(37,37
Park equipment replacement		,						
Public works facilities maintenance								(33,40
Downtown sidewalks						26,553		(211,0)
Trails		,				-		(70,00
Dejarnette Park		,				-		(5,00
Pavilion						-		(8,0)
S. Taylor Street park maintenance		3,533				-		(7,03
Pool renovation		125.000				2,195		(125.00
Economic development incentive						4 075		(125,00
Carter Park Skateboard Park						4,833		(15,8)
		7,499				-		(7,49
Pufferbelly Park maintenance		1 261				-		(4,0
Gateway and wayfinding Contingencies						-		(4,2) (374,4)
Police vehicle replacement				· · · ·		102 280		(374,4.
Ashland PD capital								(24,/
Police Department building maintenance								(9,19
Town Hall improvements								(3,150,7
Visitor center ADA improvements								(24,2)
Trolley line trail						812.008		(524,44
Public art		5.000						(5,00
Theatre renovation						-		(5,00
I-95 interchange landscape entrance						-		(20,00
Broadband / Fiber Optics						32,678		(235,9)
Total Capital Projects Fund	\$	9,954,053	\$	12,027,802	\$	6,211,158	\$	(5,816,64
Total Capital Projects Fund								

**STATISTICAL SECTION** 

## STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the Town's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the Town's financial performance and financial well-being have changed over time.	1-4
Revenue Capacity	
These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	5 - 11
Debt Capacity	
These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	12 - 15
Demographic and Economic Information	
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	16 – 17
Operating Information	
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	18 - 20
<b>Sources:</b> Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.	

## NET POSITION / ASSETS BY COMPONENT Last Ten Fiscal Years (accrual basis of accounting) (Unaudited)

					Fiscal Year	June 30,				
	2011	2012	2013	2014 (1)	2015	2016	2017	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ 17,152,529 \$	16,895,598	16,744,175	\$ 17,097,569 \$	5 17,276,925 \$	18,045,551 \$	18,752,219 \$	20,109,355 \$	22,090,989 \$	23,169,700
Unrestricted	6,689,174	6,996,858	7,468,131	7,861,122	6,640,901	7,472,072	8,087,613	6,795,833	5,716,952	5,944,361
Total governmental activities net assets	\$ 23,841,703 \$	23,892,456								
Total governmental activities net position		3	24,212,306	\$ 24,958,691 \$	5 23,917,826 \$	25,517,623 \$	26,839,832 \$	26,905,188 \$	27,807,941 \$	29,114,061
				(1)		(2)	)			

Note:

(1) June 30, 2014 net position was restated for the implementation of GASB Statements No. 68 and 71 which reduced net position by \$1,936,967.

(2) June 30, 2017 net position was restated for the implementation of GASB Statements No. 75 which reduced net position by \$1,411,502.

## CHANGES IN NET POSITION / ASSETS Last Ten Fiscal Years (accrual basis of accounting) (Unaudited)

					Fiscal Year Ju	ne 30,				
-	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government:										
Expenses:										
Governmental activities:										
General government administration	5 1,144,531 \$	989,332 \$	967,749 \$	974,966 \$	1,028,107 \$	1,003,493 \$	1,043,210 \$	1,233,279 \$	1,509,269 \$	1,490,864
Public safety	2,395,351	2,413,532	2,410,269	2,650,596	2,609,198	2,574,264	2,741,517	2,624,360	2,840,035	3,080,155
Public works	2,876,909	3,367,934	3,777,614	3,480,524	3,304,844	3,270,718	3,226,822	3,493,673	4,056,907	3,883,359
Health and welfare	(3,089)	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	196,264	202,295	196,080	193,899	176,107	154,582	187,282	182,363	295,826	289,294
Community development	435,808	460,829	508,743	503,721	521,005	493,109	586,557	543,118	502,565	518,466
Interest	2,351	751	571	-	-	-	-	-	430,312	197,400
Total governmental activities	7,048,125	7,434,673	7,861,026	7,803,706	7,639,261	7,496,166	7,785,388	8,076,793	9,634,914	9,459,538
Total primary government expenses	7,048,125	7,434,673	7,861,026	7,803,706	7,639,261	7,496,166	7,785,388	8,076,793	9,634,914	9,459,538
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	182,576	220,380	178,349	168,009	180,092	164,557	152,900	125,364	129,622	127,063
Public works	-	2,152	2,041	3,080	1,644	3,851	2,347	23,217	2,402	30,490
Parks, recreation and cultural	63,284	66,347	50,577	56,855	53,893	58,911	71,010	70,725	92,506	45,464
Operating grants and contributions	1,628,978	580,068	657,038	605,249	612,856	640,232	654,146	1,027,265	659,510	757,679
Capital grants and contributions	-	1,152,183	1,118,665	1,613,559	1,672,886	1,896,335	1,537,045	1,507,468	1,680,931	2,227,545
Total governmental activities	1,874,838	2,021,130	2,006,670	2,446,752	2,521,371	2,763,886	2,417,448	2,754,039	2,564,971	3,188,241
Total primary government program revenues	1,874,838	2,021,130	2,006,670	2,446,752	2,521,371	2,763,886	2,417,448	2,754,039	2,564,971	3,188,241
Net (expense) revenue:										
Governmental activities	(5,173,287)	(5,413,543)	(5,854,356)	(5,356,954)	(5,117,890)	(4,732,280)	(5,367,940)	(5,322,754)	(7,069,943)	(6,271,297
Total primary government net expense	(5,173,287)	(5,413,543)	(5,854,356)	(5,356,954)	(5,117,890)	(4,732,280)	(5,367,940)	(5,322,754)	(7,069,943)	(6,271,297

Table 2 Page 1

## CHANGES IN NET POSITION / ASSETS Last Ten Fiscal Years (accrual basis of accounting) (Unaudited)

	Fiscal Year June 30,													
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020			
General revenues:														
Governmental activities:														
Taxes:														
General property	\$	960,473 \$	925,815 \$	1,056,984 \$	981,908 \$	1,076,547 \$	1,122,986 \$	1,281,426 \$	1,286,830 \$	1,388,607 \$	1,470,532			
Local sales and use		338,717	353,643	438,114	460,355	489,115	512,488	514,697	556,749	576,532	615,528			
Business license		434,134	434,888	500,256	478,934	465,772	571,835	536,950	533,639	527,836	532,600			
Transient occupancy		451,943	456,153	446,241	584,443	609,619	650,631	671,630	710,034	787,839	641,204			
Meals		1,769,105	1,824,826	1,814,498	1,850,129	1,945,952	2,103,102	2,188,430	2,211,273	2,805,264	2,641,703			
Other		824,267	852,914	806,048	805,006	782,742	828,969	863,083	856,943	983,618	856,831			
Use of money and property		27,958	23,517	27,630	23,519	25,428	41,498	74,880	123,987	375,538	250,878			
Miscellaneous		(17,371)	75,201	563,133	396,238	127,030	14,955	66,982	50,954	51,492	112,473			
Intergovernmental, non-categorical aid		486,050	517,339	521,302	522,807	491,787	485,613	492,071	469,203	475,970	455,668			
Total governmental activities		5,275,276	5,464,296	6,174,206	6,103,339	6,013,992	6,332,077	6,690,149	6,799,612	7,972,696	7,577,417			
Total primary government		5,275,276	5,464,296	6,174,206	6,103,339	6,013,992	6,332,077	6,690,149	6,799,612	7,972,696	7,577,417			
Changes in net position/assets:														
Governmental activities		101,989	50,753	319,850	746,385	896,102	1,599,797	1,322,209	1,476,858	902,753	1,306,120			
Total primary government	\$	101,989 \$	50,753 \$	319,850 \$	746,385 \$	896,102 \$	1,599,797 \$	1,322,209 \$	1,476,858 \$	902,753 \$	1,306,120			

Note:

<sup>(1)</sup> Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parenthesis are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

## FUND BALANCES, GOVERNMENTAL FUNDS Last Ten Fiscal Years (modified accrual basis of accounting) (Unaudited)

			Fisca	l Year June 30,		
	2011	2012		2013	2014	2015
General Fund:						
Unassigned	\$ 4,806,186	\$ 4,722,404	\$	4,857,433 \$	5,207,596	\$ 5,228,516
Total General Fund	\$ 4,806,186	\$ 4,722,404	\$	4,857,433 \$	5,207,596	\$ 5,228,516
All Other Governmental Funds:						
Committed	\$ 1,962,268	\$ 2,407,828	\$	2,626,208 \$	2,715,601	\$ 3,223,307
Total all other governmental funds	\$ 1,962,268	\$ 2,407,828	\$	2,626,208 \$	2,715,601	\$ 3,223,307
			Fisca	l Year June 30,		
	 2016	2017		2018	2019	2020
General Fund: Unassigned	\$ 5,510,285	\$ 5,458,019	\$	5,195,695 \$	5,152,149	\$ 5,217,205
Total General Fund	\$ 5,510,285	\$ 5,458,019	\$	5,195,695 \$	5,152,149	\$ 5,217,205
All Other Governmental Funds:						
Restricted	\$	\$ -	\$	- \$	7,837,126	\$ 3,479,671
Committed	 3,322,448	3,743,563		3,645,023	2,317,584	2,339,590
Total all other governmental funds	\$ 3,322,448	\$ 3,743,563	\$	3,645,023 \$	10,154,710	\$ 5,819,261

## CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Last Ten Fiscal Years (modified accrual basis of accounting) (Unaudited)

	Fiscal Year June 30,												
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Revenues:													
General property taxes	\$	974,627 \$	962,153 \$	971,843 \$	1,027,076 \$	1,116,629 \$	1,105,818 \$	1,244,228 \$	1,268,412 \$	1,314,355 \$	1,414,873		
Other local taxes		3,818,166	3,922,424	4,005,157	4,178,867	4,293,200	4,667,025	4,774,790	4,868,638	5,681,089	5,287,866		
Permits, privilege fees and regulatory licenses		37,309	58,518	46,392	36,833	43,851	38,432	42,532	33,626	26,468	42,653		
Fines and forfeitures		145,267	144,895	113,461	114,293	123,379	125,570	109,888	91,173	102,644	83,875		
Use of money and property		27,958	23,517	27,630	23,519	25,428	41,498	74,880	123,987	375,538	250,878		
Charges for services		63,284	66,347	50,577	56,855	53,893	58,911	71,010	70,725	92,506	45,464		
Miscellaneous		(17,371)	75,201	563,133	396,238	127,030	14,955	66,982	117,159	69,567	112,473		
Recovered costs		29,543	19,751	20,537	19,963	14,506	4,406	2,827	23,782	2,912	31,025		
Intergovernmental:		2,115,028	2,248,958	2,297,005	2,511,615	2,690,329	3,022,180	2,683,262	3,003,936	2,816,411	3,369,743		
Total revenues		7,193,811	7,521,764	8,095,735	8,365,259	8,488,245	9,078,795	9,070,399	9,601,438	10,481,490	10,638,850		
Expenditures:													
General government administration		1,038,230	926,453	944,518	945,908	1,039,415	1,033,711	1,052,604	1,226,121	1,250,653	1,519,480		
Public safety		2,184,073	2,253,606	2,318,596	2,608,009	2,577,099	2,587,098	2,648,090	2,729,370	2,821,461	2,909,810		
Public works		2,365,844	2,676,727	2,688,144	2,597,852	2,800,297	2,730,645	3,008,375	3,123,426	3,043,223	3,061,123		
Parks, recreation and cultural		137,974	131,565	142,935	144,852	143,928	123,743	150,089	149,799	196,015	146,572		
Community development		410,881	446,579	507,332	491,261	494,581	505,697	560,180	581,561	510,010	509,955		
Nondepartmental		128,400	160,069	-	-	-	-	-	-	-	-		
Capital outlay		1,361,105	524,312	1,100,272	1,137,821	904,299	1,716,991	1,282,212	2,152,025	4,323,521	6,211,158		
Debt service:													
Principal		38,984	38,983	39,958	-	-	-	-	-	467,000	278,000		
Interest and fiscal charges		2,815	1,692	571	-	-	-	-	-	153,506	306,838		
Bond issuance costs		-	-	-	-	-	-	-	-	149,960	156,307		
Total expenditures	_	7,668,306	7,159,986	7,742,326	7,925,703	7,959,619	8,697,885	8,701,550	9,962,302	12,915,349	15,099,243		
Revenues over (under) expenditures		(474,495)	361,778	353,409	439,556	528,626	380,910	368,849	(360,864)	(2,433,859)	(4,460,393		
Other financing sources (uses):													
Transfers in		901,167	966,998	705,000	787,500	1,005,408	1,135,000	1,420,000	1,414,276	1,482,700	858,094		
Transfers out		(901,167)	(966,998)	(705,000)	(787,500)	(1,005,408)	(1,135,000)	(1,420,000)	(1,414,276)	(1,482,700)	(858,094		
Bond proceeds		-	-	-	-	-	-	-	-	8,900,000	8,623,000		
Payments to refunded bond escrow agent		-	-	-	-	-	-	-	-	-	(8,433,000		
Total other financing sources, net	_	-	-	-	-	-	-	-	-	8,900,000	190,000		
Net change in fund balances	\$	(474,495) \$	361,778 \$	353,409 \$	439,556 \$	528.626 \$	380.910 \$	368,849 \$	(360,864) \$	6,466,141 \$	(4,270,393		

Table 4 Page 1

## CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Last Ten Fiscal Years (modified accrual basis of accounting) (Unaudited)

	Fiscal Year June 30,													
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020			
Debt service as a percentage of noncapital expenditures:														
Total debt service	\$	41,799 \$	40,675 \$	40,529 \$	- \$	- \$	- \$	- \$	- \$	620,506 \$	584,838			
Total expenditures Less: capital outlay	\$	7,668,306 \$ (1,145,407)	7,159,986 \$ (346,148)	7,742,326 \$ (505,190)	7,925,703 \$ (864,221)	7,959,619 \$ (881,368)	8,697,885 \$ (1,628,699)	8,701,550 \$ (1,592,926)	9,962,302 \$ (2,306,292)	12,915,349 \$ (3,873,150)	15,099,243 (6,292,627)			
Noncapital expenditures	\$	6,522,899 \$	6,813,838 \$	7,237,136 \$	7,061,482 \$	7,078,251 \$	7,069,186 \$	7,108,624 \$	7,656,010 \$	9,042,199 \$	8,806,616			
Debt service as a percentage of noncapital expenditures		0.64%	0.60%	0.56%	0.00%	0.00%	0.00%	0.00%	0.00%	6.86%	6.64%			

## TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS Last Ten Fiscal Years (modified accrual basis of accounting) (Unaudited)

Fiscal Year		Local Sales	Consumer		Business	Motor	Bank		Transient		
June 30,	Property <sup>(1)</sup>	and Use	Utility	Consumption	License	Vehicle	Stock	Cigarette	Occupancy	Meals	Totals
2011	\$ 949,713	\$ 338,717	\$ 112,095	\$ 44,451	\$ 434,134	\$ 123,063	\$ 235,104	\$ 309,554	\$ 451,943 \$	5 1,769,105 \$	4,767,879
2012	935,109	353,643	116,526	39,055	434,888	116,645	213,271	367,417	456,153	1,824,826	4,857,533
2013	934,390	438,114	124,085	38,992	500,256	124,961	214,712	303,298	446,241	1,814,498	4,939,547
2014	989,035	460,355	127,593	39,967	478,934	129,015	255,722	252,709	584,443	1,850,129	5,167,902
2015	1,082,166	489,115	139,098	47,471	465,772	122,891	239,065	234,217	609,619	1,945,952	5,375,366
2016	1,074,549	512,488	151,681	34,977	571,835	113,031	276,377	252,903	650,631	2,103,102	5,741,574
2017	1,212,945	514,697	147,463	43,876	536,950	113,965	307,840	249,939	671,630	2,188,430	5,987,735
2018	1,236,109	556,749	159,915	54,693	533,639	111,207	310,687	220,441	710,034	2,211,273	6,104,747
2019	1,290,548	576,532	161,034	47,200	527,836	118,455	407,590	249,339	787,839	2,805,264	6,971,637
2020	1,361,326	615,528	169,973	37,893	532,600	126,807	289,779	232,379	641,204	2,641,703	6,649,192
Change 2011-2020	43.34%	81.72%	51.63%	-14.75%	22.68%	3.04%	23.26%	-24.93%	41.88%	49.32%	39.46%

#### Notes:

(1) Property tax revenue does not include penalties and interest collected on delinquent tax collections.

#### ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years (Unaudited)

Fiscal Year June 30,	Real Estate	Personal Property	Mobile Homes <sup>(1)</sup>	Machinery and Tools	Public Service Real Estate	Public Service Personal Property	1	Fotal Taxable Assessed Value	Percent Growth	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total	nbined l Direct x Rate
2011	\$ 723,174,800	\$ 51,532,330	\$ 2,339,545	\$ 2,738,555	\$ 27,303,212	\$ 163,500	\$	807,251,942	0.05%	\$ 807,251,942	100.00%	\$	1.70
2012	727,199,100	50,773,355	2,265,115	3,044,170	29,305,939	133,790		812,721,469	0.68%	812,721,469	100.00%		1.70
2013	712,071,800	54,050,955	2,186,100	2,617,210	27,647,987	81,291		798,655,343	-1.73%	798,655,343	100.00%		1.70
2014	709,453,800	54,210,340	1,834,200	1,966,935	33,400,523	47,159		800,912,957	0.28%	800,912,957	100.00%		1.70
2015	728,714,300	66,026,805	2,120,935	3,568,060	46,684,917	42,521		847,157,538	5.77%	847,157,538	100.00%		1.70
2016	738,808,300	67,632,225	1,910,545	2,732,370	39,927,467	29,593		851,040,500	0.46%	851,040,500	100.00%		1.70
2017	777,354,000	80,086,500	1,862,295	1,937,540	42,848,148	24,046		904,112,529	6.24%	904,112,529	100.00%		1.70
2018	791,683,200	81,053,135	1,614,000	2,425,790	42,294,461	5,728		919,076,314	1.66%	919,076,314	100.00%		1.70
2019	836,998,100	81,785,526	1,824,504	1,854,082	44,472,835	86,298		967,021,345	5.22%	967,021,345	100.00%		1.71
2020	853,601,025	82,532,613	1,757,594	2,177,239	41,359,721	91,979		981,520,171	1.50%	981,520,171	100.00%		1.71

Notes:

(1) Real and personal property tax assessments are made by the Commissioner of the Revenue for the County of Hanover, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.

(2) Town assesses taxes at 100% of total assessed value.

(3) Reassessments effective January 1, 2014 and 2018.

#### DIRECT AND OVERLAPPING PROPERTY TAX RATES Last Ten Fiscal Years (Unaudited)

	Direct Tax Rates - Town Overlapping									pping Ta	x Rat	tes - Cou	nty						Та	x Rates	- Tot	al Direct	t and (	Overlapp	ping R	Rates						
							Т	otal												Total												
Fiscal Year	Real	1	Personal	Mobile	Ma	chinery	D	irect	1	Real	Per	rsonal	N	lobile	Mao	chinery	Mer	chants'	Ov	erlapping	I	Real	Per	sonal	Μ	obile	Mac	hinery	Merc	chants'		
June 30,	Proper	rty	Property	Homes	and	d Tools	F	Rate	Pro	operty	Pro	operty	Н	lomes	and	l Tools	Ca	apital		Rate	Pro	operty	Pro	perty	He	omes	and	Tools	Ca	pital	Т	otal
2011	\$ 0	).09	\$ 0.77	\$ 0.07	\$	0.77	\$	1.70	\$	0.81	\$	3.57	\$	0.81	\$	3.57	\$	1.90	\$	10.66	\$	0.90	\$	4.34	\$	0.88	\$	4.34	\$	1.90	\$	12.36
2012	0	).09	0.77	0.07		0.77		1.70		0.81		3.57		0.81		3.57		1.90		10.66		0.90		4.34		0.88		4.34		1.90		12.36
2013	0	).09	0.77	0.07		0.77		1.70		0.81		3.57		0.81		3.57		1.90		10.66		0.90		4.34		0.88		4.34		1.90		12.36
2014	0	).09	0.77	0.07		0.77		1.70		0.81		3.57		0.81		3.57		1.90		10.66		0.90		4.34		0.88		4.34		1.90		12.36
2015	0	).09	0.77	0.07		0.77		1.70		0.81		3.57		0.81		3.57		1.90		10.66		0.90		4.34		0.88		4.34		1.90		12.36
2016	0	).09	0.77	0.07		0.77		1.70		0.81		3.57		0.81		3.57		1.90		10.66		0.90		4.34		0.88		4.34		1.90		12.36
2017	0	).09	0.77	0.07		0.77		1.70		0.81		3.57		0.81		3.57		1.90		10.66		0.90		4.34		0.88		4.34		1.90		12.36
2018	0	).09	0.77	0.07		0.77		1.70		0.81		3.57		0.81		3.57		1.90		10.66		0.90		4.34		0.88		4.34		1.90		12.36
2019	0	0.10	0.77	0.07		0.77		1.71		0.81		3.57		0.81		3.57		1.90		10.66		0.91		4.34		0.88		4.34		1.90		12.37
2020	0	0.10	0.77	0.07		0.77		1.71		0.81		3.57		0.81		3.57		1.90		10.66		0.91		4.34		0.88		4.34		1.90		12.37

Notes:

(1) These rates are per \$100 of assessed value.

(2) The Commonwealth of Virginia has no limitations on local tax rates.

(3) Real property taxes are due annually by January 15 and become delinquent thereafter.

(4) No discounts are allowed for early payment.

(5) Residents of incorporated towns in the Commonwealth of Virginia are subject to real property and personal property taxes levied by the town and the county where they reside.

## OTHER TAX RATES Last Ten Fiscal Years (Unaudited)

	Transient			
Fiscal Year June 30,	Occupancy	Meals	Cig	garette
2011	5%	5%	\$	0.19
2012	5%	5%		0.19
2013	5%	5%		0.19
2014	7%	5%		0.22
2015	7%	5%		0.22
2016	7%	5%		0.22
2017	7%	5%		0.22
2018	7%	5%		0.22
2019	8%	6%		0.22
2020	8%	6%		0.22

## Table 8

## PRINCIPAL PROPERTY TAXPAYERS Current Year and Nine Years Ago (Unaudited)

			Fisca	al Year June 3 2020	0,	Fisca	al Year June 3 2011	30,
Taxpayer	Type Business		Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value <sup>(1)</sup>	2011 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value <sup>(1)</sup>
		÷						
CLF Ashland, LLC	Distribution Center	\$	17,542,800	1	1.79%		_	
Virginia Electric & Power Company	Utility		17,290,607	2	1.76%	\$ 12,141,814	3	1.50%
Republic National Distribution	Commercial		15,757,000	3	1.61%			
Ashland Town Square, LLC	Apartments		14,766,500	4	1.50%	12,270,000	2	1.52%
Verizon Virginia, Inc	Communication / Public Service		14,679,696	5	1.50%	8,824,383	6	1.09%
Ashland Hanover LLC	Shopping Center		14,307,900	6	1.46%	15,223,500	1	1.89%
Wal-Mart Real Estate Bus. Trust	Shopping Center		10,981,200	7	1.12%	10,230,440	4	1.27%
Sedgefield Mobile Home Associates	Mobile Home Community		10,187,500	8	1.04%	9,054,100	5	1.12%
Ashland Hi, LLC	Commercial		7,905,100	9	0.81%	6,948,500	9	0.86%
Ashland Junction, LLC	Shopping Center		5,897,500	10	0.60%	7,025,200	8	0.87%
Culpepper, J.L., and Co., Inc.	Commercial					7,049,925	7	0.87%
Concrete Pipe and Products	Commercial					 6,095,800	10	0.76%
Total		\$	129,315,803		13.18%	\$ 94,863,662		11.75%

#### Notes:

Source: Commissioner of Revenue.

\$750,478,012 in fiscal year 2011.

Table 9

<sup>(1)</sup> Total real estate and public service corporation real estate assessments, as noted on Table 6, are \$894,960,746 in fiscal year 2020 and

## PRINCIPAL MEALS TAXPAYERS Current Year and Nine Years Ago (Unaudited)

	Fiscal Yea	ar
	June 30,	
	2020	2011
Taxpayer	Rank	Rank
Chick-Fil-A	1	-
Cracker Barrel	2	1
McDonalds - 103 S. Carter Road	3	2
McDonalds - 201 S. Washington Highway	4	3
Panera	5	-
WAWA	6	-
Starbucks	7	9
CookOut	8	-
Applebee's	9	6
El Azteca	10	11
Total Meals Tax	\$ 2,641,703	\$ 1,769,105

#### Notes:

- (1) The Meals Tax Rate was 5% for fiscal year 2011 and 6% for fiscal year 2020.
- (2) Per State code, meals tax remittances for individual businesses are protected information and, therefore, masked in this report.

## **REAL PROPERTY TAX LEVIES AND COLLECTIONS** Last Ten Fiscal Years (Unaudited)

			Collected V Fiscal Year o		_		Total Collecti	ions to Date
Fiscal Year June 30,			Amount	Percentage of Levy		lections in Ibsequent Years	Amount	Percentage of Levy
2011	\$	1,102,965	\$ 1,068,780	96.90%	\$	7,833	\$ 1,076,613	97.61%
2012		1,083,742	1,046,884	96.60%		16,850	1,063,734	98.15%
2013		1,102,865	1,040,735	94.37%		62,130	1,102,865	100.00%
2014		1,101,560	1,034,947	93.95%		34,100	1,069,047	97.05%
2015		1,234,382	1,124,746	91.12%		29,681	1,154,427	93.52%
2016		1,249,733	1,180,570	94.47%		-	1,180,570	94.47%
2017		1,481,259	1,374,986	92.83%		-	1,374,986	92.83%
2018		1,395,165	1,297,554	93.00%		47,871	1,345,425	96.43%
2019		1,630,369	1,484,512	91.05%		47,479	1,531,991	93.97%
2020		1,681,179	1,610,873	95.82%		62,146	1,673,019	99.51%

Note:

(1) Source: Commissioner of Revenue.

#### **RATIOS OF OUTSTANDING DEBT BY TYPE** Last Ten Fiscal Years (Unaudited)

	Gover	mental					
	Act	ivities		Total	Percentage of		
	Ge	eneral	P	rimary	Per Capita	N	et Debt
Fiscal Year June 30,	Obligat	ion Bonds	Go	vernment	Personal Income	Per	r Capita
2011	\$	78,941	\$	78,941	0.05%	\$	11
2012		39,958		39,958	0.03%		6
2013		-		-	0.00%		-
2014		-		-	0.00%		-
2015		-		-	0.00%		-
2016		-		-	0.00%		-
2017		-		-	0.00%		-
2018		-		-	0.00%		-
2019		8,433,000		8,433,000	4.18%		1,076
2020		8,345,000		8,345,000	4.06%		1,060

Notes:

(1) Details regarding the Town's outstanding debt may be found in the notes to the basic financial statements.

(2) Population and personal income data can be found in Table 17.

(3) There was no General Obligation Debt outstanding for fiscal years ended 2013 through 2018.

#### RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA Last Ten Fiscal Years (Unaudited)

Fiscal Year June 30,	Gross nded Debt	ess: Debt Hanover	Town Debt	Ratio of Net General Obligation Debt to Assessed Value	Bond	ross ed Debt Capita
2011	\$ 405,000	\$ 326,059	\$ 78,941	0.01%	\$	45
2012	205,000	165,042	39,958	0.00%		23
2013	-	-	-	0.00%		-
2014	-	-	-	0.00%		-
2015	-	-	-	0.00%		-
2016	-	-	-	0.00%		-
2017	-	-	-	0.00%		-
2018	-	-	-	0.00%		-
2019	8,433,000	-	8,433,000	0.87%		1,076
2020	8,345,000	-	8,345,000	0.85%		1,060

Notes:

(1) Population and personal income data can be found in Table 17.

(2) See Table 6 for property value data.

(3) There was no General Obligation Debt outstanding for fiscal years ended 2013 through 2018.

#### DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT Year Ended June 30, 2020 (Unaudited)

					Estimated
			Estimated		Share of
	Debt Percentage Over				verlapping
Governmental Unit	C	Dutstanding	Applicable		Debt
County of Hanover, Virginia	\$	74,687,677	6.30%	\$	4,705,324
Town Direct Debt					8,345,000
Total direct and overlapping debt				\$	13,050,324

Note:

(1) Overlapping debt is not bonded debt of the Town on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the Town are obligated to pay through direct tax levies and charges for services of these respective governmental entities. The debt of County of Hanover, Virginia is a direct general obligation debt of the County which provides facilities that benefit all County residents including those of incorporated towns. The Town's portion of overlapping debt from the County is prorated based on the Town's relative share of assessed property values.

## LEGAL DEBT MARGIN INFORMATION Last Ten Fiscal Years (Unaudited)

Legal debt margin	\$	2011 80,725,194	\$	2012 74,364,285	\$ 2013 73,971,979	\$ 2014 74,285,432	\$ 2015 77,539,922	\$ 2016 77,873,577	\$ 2017 82,020,215	\$ 2018 83,397,766	\$ 2019 85,360,103	\$ 2020 89,496,075
Total net debt applicable to limit		78,941		39,958	-	-	-	-	-	-	8,433,000	8,345,000
Available legal debt margin	\$	80,646,253	\$	74,324,327	\$ 73,971,979	\$ 74,285,432	\$ 77,539,922	\$ 77,873,577	\$ 82,020,215	\$ 83,397,766	\$ 76,927,103	\$ 81,151,075
Total net debt applicable to the limit as a percentage of debt limit		0.10%		0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.88%	9.32%
Legal debt margin calculation for fisca	al year	2020:										
Assessed value of real estate	\$	894,960,746	=									
Debt limit (10% of assessed value) Debt applicable to limit:	\$	89,496,075										
Net direct debt outstanding		8,345,000	-									
Available legal debt margin	\$	81,151,075	=									

Note:

(1) Section 15.1-176 of 1950 Code of Virginia, as amended, limits to 10% the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the Town. Debt includes any bonds or other interest bearing obligations including existing indebtedness.

#### PRINCIPAL EMPLOYERS <sup>(1)</sup> Current Year and Nine Years Ago (Unaudited)

		2019			2010	
			Percentage			Percentage
			of Total County			of Total County
Employer	Employees	Rank	Employment (2)	Employees	Rank	Employment (2)
Hanover County Schools	2,503	1	4.2%	2,678	1	4.9%
Bon Secours Memorial Regional Medical	1,000 and over	2	3.3%	1,000 and over	2	3.7%
Amazon Fulfillment Services	1,000 and over	3	3.3%		n/a	
Kings Dominion	1,000 and over	4	3.3%	500-999	7	1.4%
County of Hanover	1,188	5	2.0%	1,184	3	2.2%
RMC Events	500-999	6	1.3%		n/a	
Wal-Mart Stores	500-999	7	1.3%	250-199	8	0.7%
Owens & Minor Medical Inc.	500-999	8	1.3%		n/a	
Tyson Farms	500-999	9	1.3%	500-999	5	1.4%
Sales Mark	500-999	10	1.3%	250-499	9	0.7%
Randolph-Macon College		n/a		500-999	4	1.4%
Supervalu Distribution Center (2019) Richfood (2010)		n/a		250-499	6	1.4%
Kroger		n/a		250-499	10	0.7%
			22.6%			18.5%
Total County Employment <sup>(3)</sup>	59,705			54,430		

Notes:

 Sources: County and Schools employment levels provided by the Hanover County Department of Finance and Management Services, Budget Division. Other data provided by the Virginia Employment Commission (VEC). Data unique to the Town is not available and as noted above, has been provided by the County of Hanover. The most recent year for which this data is available is 2019.

(2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.

(3) VEC Annual not Seasonally Adjusted Labor Force.

## **DEMOGRAPHIC AND ECONOMIC STATISTICS** Last Ten Calendar Years (Unaudited)

		Pe	er Capita			County of	f Hanover
		Р	Personal	Personal	Median	School	Unemployment
Year	Population <sup>(1)</sup>	In	come <sup>(1)</sup>	Income <sup>(2)</sup>	Age <sup>(3)</sup>	Enrollment <sup>(4)</sup>	Rate <sup>(5)</sup>
2011	7,225	\$	21,329	\$ 154,102,025	33.5	19,277	5.7%
2012	7,225		21,329	154,102,025	33.5	19,170	5.6%
2013	7,289		22,932	167,151,348	34.6	17,942	5.4%
2014	7,287		23,301	169,794,387	35.9	17,952	5.0%
2015	7,503		22,684	170,198,052	35.0	17,734	4.4%
2016	7,503		23,273	174,617,319	34.8	17,776	3.4%
2017	7,649		23,930	183,040,570	33.2	17,751	3.5%
2018	7,796		25,718	200,497,528	32.8	17,671	2.9%
2019	7,840		25,718	201,629,120	32.8	17,462	2.6%
2020	7,875		26,080	205,380,000	32.8	17,273	3.1%

#### Notes:

(1) United States Bureau of the Census.

(2) Computation of per capita personal income multiplied by population.

(3) County of Hanover's planning department.

(4) Hanover County School Board.

(5) U.S. Bureau of Labor Statistics.

## FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION / PROGRAMS Last Ten Fiscal Years (Unaudited)

	Fiscal Year June 30,										
Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
General government administration	6	6	6	6	6	6	6	6	6	6	
Public safety:											
Police department	27	27	27	27	28	28	28	28	28	27	
Public works:											
Maintenance	22	22	22	23	23	24	24	24	24	24	
Community development:											
Planning	5	5	5	5	5	5	5	5	5	5	
Total	60	60	60	61	62	63	63	63	63	62	

Note:

(1) Source: Individual Town departments.

## **OPERATING INDICATORS BY FUNCTION / PROGRAMS** Last Ten Fiscal Years (Unaudited)

	_				Fiscal Yea	ar June 30,				
Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety:										
Building inspections:										
Total building permits	101	127	103	96	133	171	134	161	125	120

Note:

(1) Source: Individual Town departments.

## CAPITAL ASSET STATISTICS BY FUNCTION Last Ten Fiscal Years (Unaudited)

	Fiscal Year June 30,													
Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020				
General government:														
Vehicles	2	4	1	2	3	3	3	3	3	2				
Public safety:														
Police department:														
Patrol units	33	25	28	30	29	25	28	28	28	27				
Other vehicles	2	4	6	7	8	10	11	11	9	7				
Public works:														
General maintenance:														
Trucks/vehicles	20	19	22	24	25	28	32	33	32	35				
Equipment	28	21	17	17	18	18	16	18	18	19				
Parks and recreation:														
Parks acreage	23.60	23.60	23.60	23.60	23.60	23.60	23.60	23.60	23.60	27.50				
Swimming pools	1	1	1	1	1	1	1	1	1	1				

Note:

(1) Source: Individual Town departments.

# **COMPLIANCE SECTION**

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2020

Federal Grantor/ Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) / Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE:				<u> </u>
Direct Payments:				
Bulletproof Vest Partnership Program	16.607		\$ -	\$ 1,357
Pass-through Payments:				
Virginia Department of Criminal Justice Services				
Recovery Act - Edward Byrne Memorial Justice Assistance Grant	16.804	Not Provided	-	4,272
Total U.S. Department of Justice				5,629
U.S. DEPARTMENT OF TRANSPORTATION:				
Highway Planning and Construction Cluster:				
Pass-through Payment:				
Virginia Department of Transportation:				
Highway Planning and Construction Cluster	20.205	Not Provided	-	687,183
Total Highway Planning and Construction Cluster				687,183
Pass-through Payment:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety	20.600	Not Provided	-	6,345
Total U.S. Department of Transportation				693,528
U.S. DEPARTMENT OF THE TREASURY:				
Pass-through Payments:				
County of Hanover:				
COVID-19 Coronavirus Relief Fund	21.019	Not Provided	-	91,692
				i
Total U.S. Department of the Treasury				91,692
NATIONAL ENDOWMENT FOR THE HUMANITIES:				
Pass-through Payments:				
Virginia Commission for the Arts				
Promotion of the Arts Partnership Agreements	45.025	Not Provided	-	450
Total National Endowment for the Humanities				450
Total Expenditures of Federal Awards				\$ 791,299

#### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2020

#### Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Ashland, Virginia (Town) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

#### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Note 3. Indirect Cost Rate

The County has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

To the Honorable Mayor and Members of Council Town of Ashland, 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, each major fund, the aggregate discretely presented component unit and remaining fund information, and the budgetary comparison of the General Fund of the Town of Ashland, Virginia (Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 6, 2020.

#### **Internal Control over Financial Reporting**

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

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, 77P

Harrisonburg, Virginia November 6, 2020



#### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of Council Town of Ashland, Virginia

#### **Report on Compliance for the Major Federal Program**

We have audited the Town of Ashland, Virginia's (Town) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2020. The Town's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

#### **Report on Internal Control over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMares, XXP

Harrisonburg, Virginia November 6, 2020

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020

#### Section I. SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting: Material weaknesses identified?	Yes	d No
		<u>√</u> No
Significant deficiencies identified?	Yes	None Reported
Noncompliance material to financial statements note	d?Yes	No
Federal Awards		
Internal control over major program:		
Material weaknesses identified?	Yes	√ No
Significant deficiencies identified?	Yes	$\sqrt{\frac{1}{\sqrt{1}}}$ None Reported
Significant achieveneres racinitian	105	
Type of auditor's report issued on compliance for majo	or federal program: Unmo	odified
Any audit findings disclosed that are required		
to be reported in accordance with section		
2 CFR 200.516(a)?	Yes	√ No
2 CFR 200.510(a):	105	
Identification of major program:		
CFDA Number Nam	ne of Federal Program or	Cluster
20.205 Highwa	y Planning and Construct	tion Cluster
Dollar threshold used to distinguish between type A an	nd type B programs	\$750,000

Auditee qualified as low-risk auditee?	Yes		No
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Section II. FINANCIAL STATEMENT FINDINGS

None.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.