



FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF ALTAVISTA, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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TOWN OF ALTAVISTA, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2020

TOWN COUNCIL

Mike Mattox, Mayor
Beverley Dalton, Vice Mayor
James H. Higginbotham, II
Tracy Emerson
Tim George
Reggie Bennett
Wayne Mitchell

APPOINTED OFFICIALS

J. Waverly Coggsdale, III Town Manager
John Eller Town Attorney
Tobie Shelton Treasurer
Tommy Merricks Chief of Police

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates



Independent Auditors' Report

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

Report on the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Altavista, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 52 and 53-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Altavista, Virginia's basic financial statements. The other supplementary information and statistical information 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, on our consideration of Town of Altavista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Altavista, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Altavista, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
October 26, 2020

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BASIC FINANCIAL STATEMENTS

- Government-Wide Financial Statements -

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Statement of Net Position
At June 30, 2020

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 17,277,087	\$ 391,998	\$ 17,669,085	\$ 291
Cash and cash equivalents, restricted	80,617	6,148,070	6,228,687	-
Receivables, (net of allowance for uncollectibles)	216,504	752,850	969,354	-
Due from other governments	287,536	-	287,536	-
Due from primary government	-	-	-	11,720
Inventory	56,953	-	56,953	-
Total current assets	\$ 17,922,109	\$ 7,292,918	\$ 25,215,027	\$ 12,011
Noncurrent assets:				
Capital assets:				
Land and construction in progress	\$ 3,574,292	\$ 783,195	\$ 4,357,487	\$ -
Buildings, infrastructure, and equipment (net of accumulated depreciation)	7,280,819	17,401,319	24,682,138	-
Total noncurrent assets	\$ 10,855,111	\$ 18,184,514	\$ 29,039,625	\$ -
Total assets	\$ 28,777,220	\$ 25,477,432	\$ 54,254,652	\$ 12,011
Deferred Outflows of Resources:				
Pension deferrals	\$ 235,251	\$ 222,367	\$ 457,618	\$ -
Group life OPEB deferrals	26,831	20,689	47,520	-
Total deferred outflows of resources	\$ 262,082	\$ 243,056	\$ 505,138	\$ -
Liabilities:				
Current liabilities:				
Accounts payable	\$ 465,925	\$ 155,053	\$ 620,978	\$ -
Accrued liabilities	122,999	29,208	152,207	-
Due to Component Unit EDA	11,720	-	11,720	-
Accrued interest payable	1,220	61,129	62,349	-
Unearned revenue	380	-	380	-
Customer deposits	-	45,986	45,986	-
Environmental remediation	-	750,000	750,000	-
Current portion of long-term obligations	98,501	602,745	701,246	-
Total current liabilities	\$ 700,745	\$ 1,644,121	\$ 2,344,866	\$ -
Noncurrent liabilities:				
Net pension liability	\$ 401,546	\$ 311,795	\$ 713,341	\$ -
Net group life OPEB liability	110,170	85,265	195,435	-
Noncurrent portion of long-term obligations	307,834	11,313,582	11,621,416	-
Total noncurrent liabilities	\$ 819,550	\$ 11,710,642	\$ 12,530,192	\$ -
Total liabilities	\$ 1,520,295	\$ 13,354,763	\$ 14,875,058	\$ -
Deferred Inflows of Resources:				
Pension deferrals	\$ 102,675	\$ 59,057	\$ 161,732	\$ -
Group life OPEB deferrals	7,015	5,428	12,443	-
Total deferred inflows of resources	\$ 109,690	\$ 64,485	\$ 174,175	\$ -
Net Position:				
Net investment in capital assets	\$ 10,556,111	\$ 12,502,584	\$ 23,058,695	\$ -
Restricted	1,201,030	-	1,201,030	-
Unrestricted	15,652,176	(201,344)	15,450,832	12,011
Total net position	\$ 27,409,317	\$ 12,301,240	\$ 39,710,557	\$ 12,011

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

TOWN OF ALTAVISTA, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 1,114,569	\$ -	\$ -	\$ -
Public safety	1,528,981	47,240	257,251	-
Public works	1,867,861	6,098	1,587,175	-
Parks, recreation, and cultural	260,087	-	2,555	-
Community development	305,601	-	2,091	-
Interest on long-term debt	7,250	-	-	-
Total governmental activities	\$ 5,084,349	\$ 53,338	\$ 1,849,072	\$ -
Business - type activities				
Water and sewer	\$ 4,172,966	\$ 3,906,845	\$ 24,455	\$ -
Total business-type activities	\$ 4,172,966	\$ 3,906,845	\$ 24,455	\$ -
Total primary government	\$ 9,257,315	\$ 3,960,183	\$ 1,873,527	\$ -
Component Unit:				
Altavista Economic Development Authority	\$ 265,890	\$ -	\$ -	\$ -
General Revenues				
Property taxes				
Meal taxes				
Sales and use taxes				
Bank stock taxes				
Cigarette taxes				
Other local taxes				
Grants and contributions not restricted to specific programs				
Revenue from use of money and property				
Contributions from primary government				
Miscellaneous				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Altavista Economic Development Authority	
\$ (1,114,569)	\$ -	\$ (1,114,569)	\$ -	
(1,224,490)	-	(1,224,490)	-	
(274,588)	-	(274,588)	-	
(257,532)	-	(257,532)	-	
(303,510)	-	(303,510)	-	
(7,250)	-	(7,250)	-	
<u>\$ (3,181,939)</u>	<u>\$ -</u>	<u>\$ (3,181,939)</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ (241,666)</u>	<u>\$ (241,666)</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ (241,666)</u>	<u>\$ (241,666)</u>	<u>\$ -</u>	
<u>\$ (3,181,939)</u>	<u>\$ (241,666)</u>	<u>\$ (3,423,605)</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (265,890)</u>	
\$ 2,441,010	\$ -	\$ 2,441,010	\$ -	
970,639	-	970,639	-	
170,672	-	170,672	-	
177,516	-	177,516	-	
124,684	-	124,684	-	
301,218	-	301,218	-	
153,638	-	153,638	-	
388,639	20,042	408,681	28	
-	-	-	265,890	
404,142	-	404,142	-	
<u>\$ 5,132,158</u>	<u>\$ 20,042</u>	<u>\$ 5,152,200</u>	<u>\$ 265,918</u>	
\$ 1,950,219	\$ (221,624)	\$ 1,728,595	\$ 28	
25,459,098	12,522,864	37,981,962	11,983	
<u>\$ 27,409,317</u>	<u>\$ 12,301,240</u>	<u>\$ 39,710,557</u>	<u>\$ 12,011</u>	

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BASIC FINANCIAL STATEMENTS

- Fund Financial Statements -

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Balance Sheet
 Governmental Fund
 At June 30, 2020

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 17,277,087
Cash and cash equivalents, restricted	80,617
Receivables (net of allowance for uncollectibles):	
Taxes	69,516
Accounts	146,988
Due from other governments	287,536
Prepaid expenditures	3,412
Inventory	<u>56,953</u>
 Total assets	 \$ <u><u>17,922,109</u></u>
Liabilities:	
Accounts payable	\$ 465,925
Accrued liabilities	122,999
Unearned revenue	380
Due to Component Unit EDA	<u>11,720</u>
 Total liabilities	 \$ <u>601,024</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ <u>89,390</u>
Fund Balance:	
Nonspendable	\$ 60,365
Restricted	1,201,030
Committed	6,015,642
Unassigned	<u>9,954,658</u>
 Total fund balance	 \$ <u>17,231,695</u>
 Total liabilities, deferred inflows of resources and fund balance	 \$ <u><u>17,922,109</u></u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2020

Total fund balance for governmental funds (Exhibit 3) \$ 17,231,695

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and construction in progress	\$ 3,574,292	
Depreciable capital assets, net of accumulated depreciation	<u>7,280,819</u>	
Total capital assets		10,855,111

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable property tax revenue in the funds. 89,390

Items related to measurement of the net pension and GLI OPEB liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and GLI expense over future years.

Pension deferrals - deferred outflows	235,251
GLI OPEB deferrals - deferred outflows	26,831
Pension deferrals - deferred inflows	(102,675)
GLI OPEB deferrals - deferred inflows	(7,015)

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Net pension liability	\$ (401,546)	
Net group life OPEB liability	(110,170)	
General obligation public improvement bond	(299,000)	
Accrued interest payable	(1,220)	
Compensated absences	<u>(107,335)</u>	
Total long-term liabilities		<u>(919,271)</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$	<u><u>27,409,317</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2020

	General Fund
Revenues:	
General property taxes	\$ 2,429,686
Other local taxes	1,744,729
Permits, privilege fees and regulatory licenses	19,230
Fines and forfeitures	28,010
Revenue from use of money and property	388,639
Charges for services	6,098
Miscellaneous	404,142
Intergovernmental	<u>2,002,710</u>
Total revenues	<u>\$ 7,023,244</u>
Expenditures:	
Current:	
General government administration	\$ 2,079,166
Public safety	1,498,546
Public works	2,966,061
Parks, recreation and cultural	772,328
Community development	305,624
Debt service:	
Principal retirement	314,536
Interest and other fiscal charges	<u>9,778</u>
Total expenditures	<u>\$ 7,946,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (922,795)</u>
Other financing sources (uses):	
Issuance of long-term debt	<u>\$ 299,000</u>
Total other financing sources (uses)	<u>\$ 299,000</u>
Net changes in fund balance	\$ (623,795)
Fund balance at beginning of year	<u>17,855,490</u>
Fund balance at end of year	<u><u>\$ 17,231,695</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balance - total governmental funds (Exhibit 5) \$ (623,795)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 3,010,044	
Depreciation expense	<u>(473,672)</u>	2,536,372

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable revenue - taxes	\$ 11,324	
Change in deferred inflows related to the measurement of the net GLI OPEB liability	2,532	
Change in deferred inflows related to the measurement of the net pension liability	<u>63,255</u>	77,111

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this adjustment are as follows:

Issuance of public improvement general obligation bond	\$ (299,000)	
Principal retired on bonds payable	<u>314,536</u>	15,536

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. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (8,778)	
Change in accrued interest payable	2,528	
Change in deferred outflows related to pensions	106,722	
Change in deferred outflows related to GLI OPEB	9,258	
Change in net GLI OPEB liability	(8,523)	
Change in net pension liability	<u>(156,212)</u>	
Net adjustment		<u>(55,005)</u>

Change in net position of governmental activities (Exhibit 2)	\$	<u><u>1,950,219</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 At June 30, 2020

		Business-type Activities Enterprise Fund Water and Sewer
Assets:		
Current assets:		
Cash and cash equivalents	\$	391,998
Cash and cash equivalents - restricted		6,148,070
Receivables (net of allowance for uncollectibles):		
Accounts		752,850
Total current assets	\$	7,292,918
Noncurrent assets:		
Capital assets:		
Construction in progress	\$	783,195
Buildings, infrastructure, and equipment, net of accumulated depreciation		17,401,319
Total noncurrent assets	\$	18,184,514
Total assets	\$	25,477,432
Deferred Outflows of Resources:		
Pension deferrals	\$	222,367
Group life OPEB deferrals		20,689
Total deferred outflows of resources	\$	243,056
Liabilities:		
Current liabilities:		
Accounts payable	\$	155,053
Accrued liabilities		29,208
Accrued interest payable		61,129
Customers' deposits		45,986
Environmental remediation		750,000
Bonds payable - current portion		538,000
Compensated absences - current portion		64,745
Total current liabilities	\$	1,644,121
Noncurrent liabilities:		
Bonds payable - noncurrent portion	\$	11,292,000
Net pension liability		311,795
Net group life OPEB liability		85,265
Compensated absences - noncurrent portion		21,582
Total noncurrent liabilities	\$	11,710,642
Total liabilities	\$	13,354,763
Deferred Inflows of Resources:		
Pension deferrals	\$	59,057
Group life OPEB deferrals		5,428
Total deferred outflows of resources	\$	64,485
Net Position:		
Net investment in capital assets	\$	12,502,584
Unrestricted		(201,344)
Total net position	\$	12,301,240

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2020

		Business-type Activities Enterprise Fund Water and Sewer
Operating revenues:		
Charges for services	\$	3,879,861
Other		26,984
Total operating revenues	\$	3,906,845
Operating expenses:		
Salaries	\$	1,075,743
Fringe benefits		346,799
Maintenance		135,487
Utilities		573,621
Materials and supplies		471,381
Sample testing		32,677
Purchase of water		30,163
Other		237,452
Depreciation		1,090,333
Total operating expenses	\$	3,993,656
Operating income (loss)	\$	(86,811)
Nonoperating revenues (expenses):		
Interest revenue	\$	20,042
Interest expense		(179,310)
Fluoride grant		24,455
Total nonoperating revenues (expenses)	\$	(134,813)
Change in net position	\$	(221,624)
Net position, beginning of year		12,522,864
Net position, end of year	\$	12,301,240

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

		Business-type Activities Enterprise Fund Water and Sewer
Cash flows from operating activities:		
Receipts from customers and users	\$	3,639,267
Payments to suppliers		(1,633,392)
Payments for employees		(1,397,524)
Net cash provided by (used for) operating activities	\$	608,351
Cash flows from capital and related financing activities:		
Interest paid	\$	(186,898)
Purchase of capital assets		(1,033,812)
Proceeds from bond		11,830,000
Principal retired on debt		(5,566,714)
Net cash provided by (used for) capital and related financing activities	\$	5,042,576
Cash flows from noncapital financing activities:		
Fluoride grant	\$	24,455
Net cash provided by (used for) noncapital financing activities	\$	24,455
Cash flows from investing activities:		
Interest revenue	\$	20,042
Net cash provided by (used for) investing activities	\$	20,042
Increase (decrease) in cash and cash equivalents	\$	5,695,424
Cash and cash equivalents at beginning of year		844,644
Cash and cash equivalents at end of year	\$	6,540,068
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	(86,811)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		1,090,333
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable		(273,535)
(Increase)/Decrease in deferred outflows of resources		(71,085)
Increase/(Decrease) in accounts payable		(152,611)
Increase/(Decrease) in accrued liabilities		8,869
Increase/(Decrease) in net pension liability		122,909
Increase/(Decrease) in net GLI OPEB liability		5,912
Increase/(Decrease) in deferred inflows of resources		(52,923)
Increase/(Decrease) in compensated absences		11,336
Increase/(Decrease) in customer deposits		5,957
Net cash provided by (used for) operating activities	\$	608,351

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

Statement of Fiduciary Net Position
Fiduciary Fund
At June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,051</u>
Total assets	\$ <u><u>1,051</u></u>
LIABILITIES	
Amounts held for others	\$ <u>1,051</u>
Total liabilities	\$ <u><u>1,051</u></u>

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Financial Reporting Entity

Primary Government - The Town of Altavista (the “Town”) was established in 1912. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Town Council consists of a mayor, a vice mayor, and five other council members. The Town is part of Campbell County and has taxing powers subject to statewide restrictions and tax limits.

The Town of Altavista provides a full range of municipal services including police, refuse collection, public improvements, planning and zoning, general administrative services, fire, recreation, and water and sewer services. Fire and first aid services are supplemented by volunteer departments.

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete. It is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Town.

Altavista Economic Development Authority

The Altavista Economic Development Authority (the “EDA”) was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The EDA is governed by a Board of Directors appointed by Town Council and the Town is financially accountable for the EDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The Authority does not issue a separate financial report.

The Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in 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. Governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

The *water and sewer enterprise fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability, or other purposes. The water and sewer enterprise fund consists of the activities relating to water and sewer services.

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

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

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds, which consist of the War Memorial Donation Fund. These funds utilize the economic resources measurement focus and accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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

D. Net Position Flow Assumption

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

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapse on June 30 for all Town units.
- 7) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

Excess of Expenditures over Appropriations

At June 30, there were no expenditures in excess of appropriations.

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

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

G. Inventory

Inventory consists of expendable supplies held for consumption. Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

I. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The Town considers all accounts receivable related to the business-type activities to be fully collectible and accordingly, no allowance for doubtful accounts is considered necessary. The allowance for the general fund is composed of the following:

Real estate	\$ 764
Personal property	<u>16,500</u>
Total	<u><u>\$ 17,264</u></u>

J. Capital Assets

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

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

J. Capital Assets: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30-40
Machinery and equipment	5-10
Public domain infrastructure	50
Distribution and transmission systems	30-50
Water and sewer plants	30-50

Public domain infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and includes all activity since July 1, 2001.

K. Unavailable Revenue

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$78,066 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$89,390 at June 30, 2020.

L. Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

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

M. Net Position

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

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

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventory and prepaids. It also includes the long-term amount of interfund loans.
- **Restricted** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** - Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** - Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Council which has been designated this authority.
- **Unassigned** - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

O. Restricted Resources-Fund Balance

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Minimum Fund Balance Policy

Governmental funds of the Town do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by Council.

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2020.

R. Uses of Estimates

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

S. Performance Grants Payable

Performance grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

T. Deferred Outflows/Inflows of Resources

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

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

U. Deferred Outflows/Inflows of Resources: (Continued)

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

V. Pensions

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

W. Other Post Employment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program 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 Program 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.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits 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.

Investments

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

Pursuant to Sec. 2.1-234.7 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 and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy specifies that no investment may have a maturity greater than one year from the date of purchase.

Credit Risk:

As required by state statute and by the Town, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody’s and Standard & Poor’s. Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s. Repurchase agreements require that the counterparty be rated “A” or better by Moody’s and Standard & Poor’s.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Concentration of Credit Risk:

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

At June 30, all of the Town's investments were held in LGIP. All investments were rated AAAM by Standard & Poor's.

	<u>Fair Value</u>
Deposits and Investments:	
LGIP	\$ 9,469,385
SNAP	6,154,426
Deposits	<u>8,274,252</u>
Total deposits and investments	<u>\$ 23,898,063</u>
Reconciliation to Statement of Net Position - Exhibit 1:	
Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 17,669,085
Cash and cash equivalents, restricted	6,228,687
Discretely presented component unit:	
Cash and cash equivalents	<u>291</u>
Total deposits and investments	<u>\$ 23,898,063</u>

External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

The Policy limits certain investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Agency securities purchased must mature within five years of the date of purchase. Prime commercial paper must mature within 270 days of the date of purchase and banker's acceptances must mature within 180 days of the date of purchase. The Town is only invested in LGIP at year end, in which funds are readily available.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Custodial Credit Risk:

The Policy requires that all investment securities purchased by the Town be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, the Town has no investments subject to custodial credit risk.

Restricted Amounts:

Restricted cash and cash equivalents consist of CDBG and USDA Loan Pools.

NOTE 3 - RECEIVABLES:

Receivables are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 86,780	\$ -	\$ 86,780
Accounts	146,988	752,850	899,838
Gross receivables	\$ 233,768	\$ 752,850	\$ 986,618
Less: allowance for uncollectibles	(17,264)	-	(17,264)
Net receivables	<u>\$ 216,504</u>	<u>\$ 752,850</u>	<u>\$ 969,354</u>

NOTE 4 - DUE TO/DUE FROM PRIMARY GOVERNMENT/COMPONENT UNIT:

The composition of interfund receivables and payables is as follows:

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General Fund	\$ -	\$ 11,720
EDA	11,720	-
Total	<u>\$ 11,720</u>	<u>\$ 11,720</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Personal property tax relief	\$ 24,205
Railroad rolling stock	16,450
Local sales taxes	32,977
Communication taxes	5,528
Litter grant	1,555
Mobile home	14
Rental tax	162
Federal Government:	
Mass transit	26,698
CARES ACT	137,474
T-21 grant	40,724
Justice grant	1,749
Total	<u>\$ 287,536</u>

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 360,554	\$ 1,001,275	\$ -	\$ 1,361,829
Construction in Progress	705,093	1,596,898	89,528	2,212,463
Total capital assets not being depreciated	<u>\$ 1,065,647</u>	<u>\$ 2,598,173</u>	<u>\$ 89,528</u>	<u>\$ 3,574,292</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,400,064	\$ 24,139	\$ -	\$ 3,424,203
Machinery and equipment	4,206,569	152,695	76,890	4,282,374
Public domain infrastructure	5,516,485	324,565	-	5,841,050
Total capital assets being depreciated	<u>\$ 13,123,118</u>	<u>\$ 501,399</u>	<u>\$ 76,890</u>	<u>\$ 13,547,627</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,651,346	\$ 87,996	\$ -	\$ 1,739,342
Machinery and equipment	3,051,487	219,570	76,890	3,194,167
Public domain infrastructure	1,167,193	166,106	-	1,333,299
Total accumulated depreciation	<u>\$ 5,870,026</u>	<u>\$ 473,672</u>	<u>\$ 76,890</u>	<u>\$ 6,266,808</u>
Total capital assets being depreciated, net	<u>\$ 7,253,092</u>	<u>\$ 27,727</u>	<u>\$ -</u>	<u>\$ 7,280,819</u>
Governmental activities capital assets, net	<u>\$ 8,318,739</u>	<u>\$ 2,625,900</u>	<u>\$ 89,528</u>	<u>\$ 10,855,111</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 6 - CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in Progress	\$ 854,524	\$ 725,337	\$ 796,666	\$ 783,195
Total capital assets not being depreciated	<u>\$ 854,524</u>	<u>\$ 725,337</u>	<u>\$ 796,666</u>	<u>\$ 783,195</u>
Capital assets, being depreciated:				
Distributions and transmission systems	\$ 21,423,880	\$ 796,666	\$ -	\$ 22,220,546
Water and sewer plants	13,141,803	-	-	13,141,803
Machinery and equipment	<u>3,352,165</u>	<u>308,475</u>	<u>-</u>	<u>3,660,640</u>
Total capital assets being depreciated	<u>\$ 37,917,848</u>	<u>\$ 1,105,141</u>	<u>\$ -</u>	<u>\$ 39,022,989</u>
Less accumulated depreciation	<u>\$ 20,531,337</u>	<u>\$ 1,090,333</u>	<u>\$ -</u>	<u>\$ 21,621,670</u>
Total capital assets being depreciated, net	<u>\$ 17,386,511</u>	<u>\$ 14,808</u>	<u>\$ -</u>	<u>\$ 17,401,319</u>
Business-type activities capital assets, net	<u><u>\$ 18,241,035</u></u>	<u><u>\$ 740,145</u></u>	<u><u>\$ 796,666</u></u>	<u><u>\$ 18,184,514</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 40,310
Public safety	75,466
Public works	277,327
Parks, recreation and cultural	<u>80,569</u>
Total governmental activities	<u><u>\$ 473,672</u></u>

Business-type activities:

Water and sewer	\$ <u>1,090,333</u>
Total business-type activities	<u><u>\$ 1,090,333</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bond	\$ 314,536	\$ 299,000	\$ 314,536	\$ 299,000	\$ 18,000
Net pension liability	245,334	742,272	586,060	401,546	-
Net GLI OPEB liability	101,647	32,947	24,424	110,170	-
Compensated absences	98,557	8,778	-	107,335	80,501
Total Governmental Activities	<u>\$ 760,074</u>	<u>\$ 1,082,997</u>	<u>\$ 925,020</u>	<u>\$ 918,051</u>	<u>\$ 98,501</u>
Business-type Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bond	\$ 5,566,714	\$ 11,830,000	\$ 5,566,714	\$ 11,830,000	\$ 538,000
Net pension liability	188,886	577,272	454,363	311,795	-
Net GLI OPEB liability	79,353	25,114	19,202	85,265	-
Compensated absences	74,991	11,336	-	86,327	64,745
Total Business-type Activities	<u>\$ 5,909,944</u>	<u>\$ 12,443,722</u>	<u>\$ 6,040,279</u>	<u>\$ 12,313,387</u>	<u>\$ 602,745</u>
Total Primary Government	<u>\$ 6,670,018</u>	<u>\$ 13,526,719</u>	<u>\$ 6,965,299</u>	<u>\$ 13,231,438</u>	<u>\$ 701,246</u>

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

Year Ending June 30,	Governmental Activities General Obligation Public Improvement Bond		Business-type Activities General Obligation Public Improvement Bond	
	Principal	Interest	Principal	Interest
2021	\$ 18,000	\$ 4,151	\$ 538,000	\$ 198,629
2022	16,000	5,433	485,000	252,694
2023	17,000	5,104	496,000	242,086
2024	17,000	4,766	507,000	231,224
2025	17,000	4,428	517,000	220,145
2026	18,000	4,080	529,000	208,821
2027	18,000	3,721	541,000	197,235
2028	18,000	3,363	552,000	185,395
2029	19,000	2,995	564,000	173,312
2030	19,000	2,617	577,000	160,940
2031	19,000	2,239	589,000	148,305
2032	20,000	1,851	602,000	135,383
2033	20,000	1,453	615,000	122,177
2034	21,000	1,045	630,000	108,697
2035	21,000	627	643,000	94,870
2036	21,000	209	656,000	83,298
2037	-	-	672,000	69,167
2038	-	-	688,000	52,502
2039	-	-	706,000	35,439
2040	-	-	723,000	17,930
Total	<u>\$ 299,000</u>	<u>\$ 48,082</u>	<u>\$ 11,830,000</u>	<u>\$ 2,938,249</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligation:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:		
Public Improvement Bonds:		
\$299,000 General Obligation Public Improvement & Refunding Bond, Series 2020B, issued on April 23, 2020, principal payable in various annual installments beginning July 15, 2020 through January 15, 2036. Interest payable semiannually at 1.99%.	\$ 299,000	\$ 18,000
Business-type Activities:		
Public Improvement Bonds:		
\$6,538,000 General Obligation Public Improvement Bond, Series 2020A, issued on April 7, 2020, principal payable in various annual installments beginning January 15, 2021 through January 15, 2040. Interest payable semiannually at 2.48%.	\$ 6,538,000	\$ 214,000
\$5,292,000 General Obligation Public Improvement & Refunding Bond, Series 2020B, issued on April 23, 2020, principal payable in various annual installments beginning July 15, 2020 through January 15, 2036. Interest payable semiannually at 1.99%.	5,292,000	324,000
Total business-type activities	\$ 11,830,000	\$ 538,000
Grand Total Primary Government	\$ 12,129,000	\$ 556,000

NOTE 8 - ENVIRONMENTAL REMEDIATION:

The Department of Environmental Quality (DEQ) has designated the Town a potential responsible party for cleanup of PCBs on certain Town owned property. There are several courses of action that the Town is considering to remedy the situation, with estimated costs ranging from \$750,000 to \$4,000,000. Management has submitted plans for the \$750,000 option to the DEQ. The estimated liability is based on the DEQ accepting this remedy proposed by the Town. If the DEQ does not accept the remedy, the actual costs may be more or less depending on their decision.

NOTE 9 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

NOTE 9 - PENSION PLAN: (CONTINUED)***Average Final Compensation and Service Retirement Multiplier***

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

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	48
Inactive members:	
Vested inactive members	9
Non-vested inactive members	25
Inactive members active elsewhere in VRS	29
Total inactive members	<u>63</u>
Active members	<u>51</u>
Total covered employees	<u><u>162</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 10.02% of covered employee 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$234,289 and \$226,704 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 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	3.5% - 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 liabilities.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 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	3.5% - 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:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

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

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:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7% to 6.75%

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TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	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 nominal return	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.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 10,938,222	\$ 10,504,002	\$ 434,220
Changes for the year:			
Service cost	\$ 265,620	\$ -	\$ 265,620
Interest	744,015	-	744,015
Changes of assumptions	301,601	-	301,601
Differences between expected and actual experience	(7,580)	-	(7,580)
Contributions - employer	-	226,704	(226,704)
Contributions - employee	-	113,472	(113,472)
Net investment income	-	691,759	(691,759)
Benefit payments, including refunds of employee contributions	(618,884)	(618,884)	-
Administrative expenses	-	(6,964)	6,964
Other changes	-	(436)	436
Net changes	\$ 684,772	\$ 405,651	\$ 279,121
Balances at June 30, 2019	\$ 11,622,994	\$ 10,909,653	\$ 713,341

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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
Town of Altavista Net Pension Liability (Asset)	2,079,572	713,341	(384,007)

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$228,466. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 26,765
Change in assumptions	181,918	-
Net difference between projected and actual earnings on pension plan investments	-	93,556
Proportional change	41,411	41,411
Employer contributions subsequent to the measurement date	234,289	-
Total	<u>\$ 457,618</u>	<u>\$ 161,732</u>

\$234,289 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended 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 in future reporting periods as follows:

<u>Year ended June 30</u>	
2021	\$ 95,015
2022	(37,844)
2023	(2,277)
2024	6,703
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also 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 <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 10 - SERVICE CONTRACTS:

Sewage Contract

The Town is party to a 1991 contract with the Town of Hurt. The Town of Hurt made a capital contribution of \$325,000 to be used for expansion of a wastewater treatment plant. In exchange for the capital contribution, the Town contracted to provide sewage services for an indefinite period to an industrial park within the Town of Hurt. The contract provides that these services will be provided at the same rate the Town charges other customers for similar services.

NOTE 11 - PROPERTY TAXES:

The major sources of property taxes are real estate and personal property. Assessments are the responsibility of Campbell County, while billing and collection are the Town's responsibilities. Property taxes are levied annually on assessed values as of January 1 and are due by December 5 each year. Personal property taxes do not create a lien on property. The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of ten percent of the unpaid tax is due for late payment. Interest is accrued at ten percent for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$	0.08
Personal property	\$	2.00
Machinery and tools	\$	2.00

NOTE 12 - RISK MANAGEMENT:

The Town is insured for Workers' Compensation, General Liability, Health, and other risks.

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2019-2020, total premiums paid were approximately \$60,143. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General liability and other insurance is provided through policies with the Virginia Municipal League. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$5,000,000 limit. Property insurance is covered per statement of values and is approximately \$25,000,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2020 were approximately \$63,394.

Healthcare coverage for employees is provided through a policy with Anthem. The Town contributes a percentage of the required premium amount for single coverage for each employee. The Town also pays a percentage of the coverage for dependents and spouses of employees. Total premiums paid for the year ended June 30, 2020 were approximately \$295,643.

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13 - MAJOR CUSTOMERS/TAXPAYERS:

During fiscal year 2020, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

NOTE 14 - FUND BALANCE:

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the general fund are presented below:

Category	General Fund
Nonspendable:	
Prepaid Expenditures	\$ 3,412
Inventory	56,953
Total Nonspendable	<u>\$ 60,365</u>
Restricted:	
Public Works	\$ 1,104,711
Community Development	84,639
Public Safety	11,680
Total Restricted	<u>\$ 1,201,030</u>
Committed:	
Community Development	\$ 274,807
Public Works	742,675
Other Capital Projects	4,998,160
Total Committed	<u>\$ 6,015,642</u>
Unassigned	<u>\$ 9,954,658</u>
Total Fund Balance	<u>\$ 17,231,695</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 15 - LITIGATION:

At June 30, 2020, there were no matters of litigation involving the Town that would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 16 - CONSTRUCTION COMMITMENTS:

The Town had the following significant outstanding construction commitments as of June 30, 2020:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
WWTP Electrical Upgrades	\$ 460,090	\$ 70,921	\$ 389,169
Splash Pad	780,805	780,805	-
Spring Milling & Paving	375,038	332,870	42,168

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable 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.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan 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, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$12,707 and \$12,246 for the years ended June 30, 2020 and June 30, 2019, respectively.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

At June 30, 2020, the entity reported a liability of \$195,435 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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 employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan 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 participating employer's proportion was 0.01201% as compared to 0.01191% at June 30, 2018.

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

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$6,634. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,998	\$ 2,536
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,014
Change in assumptions	12,339	5,893
Changes in proportion	9,476	-
Employer contributions subsequent to the measurement date	<u>12,707</u>	<u>-</u>
Total	<u>\$ 47,520</u>	<u>\$ 12,443</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

\$12,707 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:

<u>Year Ended June 30</u>	
2021	\$ 2,809
2022	2,809
2023	4,510
2024	6,061
2025	4,976
Thereafter	1,205

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. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
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 OPEB liabilities.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates 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 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	Decreased rate from 7.00% to 6.75%

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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)	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	Decreased rate from 7.00% to 6.75%

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

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	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

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

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,627,266</u>
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 the financial statements and required supplementary information.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	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	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

*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.

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 ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 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.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the Group Life Insurance Program				
Net OPEB Liability	\$	256,747	\$ 195,435	\$ 145,712

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan'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 <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 18—UPCOMING PRONOUNCEMENTS:

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

TOWN OF ALTAVISTA, VIRGINIA

**Notes to Financial Statements
As of June 30, 2020 (Continued)**

NOTE 18—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 19— SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Town is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 2,342,350	\$ 2,342,350	\$ 2,429,686	\$ 87,336
Other local taxes	1,733,950	1,733,950	1,744,729	10,779
Permits, privilege fees and regulatory licenses	16,100	16,100	19,230	3,130
Fines and forfeitures	15,200	15,200	28,010	12,810
Use of money and property	383,300	383,300	388,639	5,339
Charges for services	6,300	6,300	6,098	(202)
Miscellaneous	36,600	83,700	404,142	320,442
Intergovernmental	1,603,500	1,612,050	2,002,710	390,660
Total revenues	\$ 6,137,300	\$ 6,192,950	\$ 7,023,244	\$ 830,294
Expenditures				
Current:				
General Government Administration	\$ 1,153,980	\$ 2,238,680	\$ 2,079,166	\$ 159,514
Public Safety	1,239,180	1,674,880	1,498,546	176,334
Public Works	2,652,080	2,641,290	2,966,061	(324,771)
Parks, Recreation, and Cultural	379,700	844,320	772,328	71,992
Community Development	530,850	530,850	305,624	225,226
Debt service:				
Principal retirement	14,950	14,950	314,536	(299,586)
Interest and other fiscal charges	8,200	8,200	9,778	(1,578)
Total expenditures	\$ 5,978,940	\$ 7,953,170	\$ 7,946,039	\$ 7,131
Excess (deficiency) of revenues over expenditures	\$ 158,360	\$ (1,760,220)	\$ (922,795)	\$ 837,425
Other Financing Sources (Uses)				
Transfers in	\$ 76,350	\$ 1,994,930	\$ -	\$ (1,994,930)
Issuance of long-term debt	-	-	299,000	299,000
Transfers out	(234,710)	(234,710)	-	234,710
Total other financing sources (uses)	\$ (158,360)	\$ 1,760,220	\$ 299,000	\$ (1,461,220)
Net change in fund balance	\$ -	\$ -	\$ (623,795)	\$ (922,795)
Fund balance, beginning of year	-	-	17,855,490	17,855,490
Fund balance, end of year	\$ -	\$ -	\$ 17,231,695	\$ 16,932,695

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 271,312	\$ 280,885	\$ 260,567	\$ 253,948	\$ 273,758	\$ 265,620
Interest	642,840	665,664	701,826	726,738	727,256	744,015
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	207,735	51,454	(256,321)	(94,953)	(7,580)
Changes in assumptions	-	-	-	(10,689)	-	301,601
Benefit payments	(518,629)	(657,566)	(617,796)	(698,118)	(714,432)	(618,884)
Net change in total pension liability	\$ 395,523	\$ 496,718	\$ 396,051	\$ 15,558	\$ 191,629	\$ 684,772
Total pension liability - beginning	9,442,743	9,838,266	10,334,984	10,731,035	10,746,593	10,938,222
Total pension liability - ending (a)	\$ 9,838,266	\$ 10,334,984	\$ 10,731,035	\$ 10,746,593	\$ 10,938,222	\$ 11,622,994
Plan fiduciary net position						
Contributions - employer	\$ 234,603	\$ 223,684	\$ 217,260	\$ 232,426	\$ 252,960	\$ 226,704
Contributions - employee	106,152	102,139	106,498	124,071	111,543	113,472
Net investment income	1,297,845	424,785	158,424	1,123,214	740,814	691,759
Benefit payments	(518,629)	(657,566)	(617,796)	(698,118)	(714,432)	(618,884)
Administrative expense	(7,080)	(6,054)	(5,988)	(6,690)	(6,572)	(6,964)
Other	69	(88)	(69)	(989)	(652)	(436)
Net change in plan fiduciary net position	\$ 1,112,960	\$ 86,900	\$ (141,671)	\$ 773,914	\$ 383,661	\$ 405,651
Plan fiduciary net position - beginning	8,288,238	9,401,198	9,488,098	9,346,427	10,120,341	10,504,002
Plan fiduciary net position - ending (b)	\$ 9,401,198	\$ 9,488,098	\$ 9,346,427	\$ 10,120,341	\$ 10,504,002	\$ 10,909,653
Town's net pension liability - ending (a) - (b)	\$ 437,068	\$ 846,886	\$ 1,384,608	\$ 626,252	\$ 434,220	\$ 713,341
Plan fiduciary net position as a percentage of the total pension liability	95.56%	91.81%	87.10%	94.17%	96.03%	93.86%
Covered payroll	\$ 2,126,666	\$ 2,057,442	\$ 2,000,874	\$ 2,062,716	\$ 2,264,416	\$ 2,354,916
Town's net pension liability as a percentage of covered payroll	20.55%	41.16%	69.20%	30.36%	19.18%	30.29%

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

Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2020	\$ 234,289	\$ 234,289	\$ -	\$ 2,443,640	9.59%
2019	226,704	226,704	-	2,354,916	9.63%
2018	254,273	254,273	-	2,264,416	11.23%
2017	232,267	232,267	-	2,062,716	11.26%
2016	218,896	218,896	-	2,000,874	10.94%
2015	223,684	223,684	-	2,057,442	10.87%
2014	234,784	234,784	-	2,126,666	11.04%
2013	245,548	245,548	-	2,224,162	11.04%
2012	120,144	120,144	-	2,089,462	5.75%
2011	120,275	120,275	-	2,091,739	5.75%

Current year contributions are from Town of Altavista's records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2020

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

Changes of assumptions - The 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased from 7% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased from 7% to 6.75%

Schedule of the Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.01201% \$	195,435 \$	2,354,916	8.30%	52.00%
2018	0.01191%	181,000	2,264,416	7.99%	51.22%
2017	0.01118%	168,000	2,062,716	8.14%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2020

		Contributions in Relation to			Contributions
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll
Date	(1)	(2)	(3)	(4)	(5)
2020	\$ 12,707	\$ 12,707	\$ -	\$ 2,443,640	0.52%
2019	12,246	12,246	-	2,354,916	0.52%
2018	11,865	11,865	-	2,264,416	0.52%
2017	9,840	9,840	-	2,062,716	0.48%

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

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2020

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

Changes of assumptions - The 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-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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OTHER SUPPLEMENTARY INFORMATION

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Statement of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2020

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
War Memorial Donation Fund:				
Assets:				
Cash and cash equivalents	\$ 1,047	\$ 4	\$ -	\$ 1,051
Total assets	<u>\$ 1,047</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 1,051</u>
Liabilities:				
Amounts held for others	\$ 1,047	\$ 4	\$ -	\$ 1,051
Total liabilities	<u>\$ 1,047</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 1,051</u>

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- Supporting Statements -

Discretely Presented Component Unit - Altavista Economic Development Authority

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Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Net Position
At June 30, 2020

Assets:

Current assets:

Cash and cash equivalents	\$ 291
Due from primary government	<u>11,720</u>
Total current assets	<u>\$ 12,011</u>
 Total assets	 <u><u>\$ 12,011</u></u>

Net Position:

Unrestricted	<u>\$ 12,011</u>
 Total net position	 <u>\$ 12,011</u>
 Total liabilities and net position	 <u><u>\$ 12,011</u></u>

Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

Operating expenses:

Other expenses	\$ 265,890
----------------	------------

Total operating expenses	\$ 265,890
--------------------------	------------

Operating income (loss)	\$ (265,890)
-------------------------	--------------

Nonoperating revenues (expenses):

Contributions from primary government	\$ 265,890
Interest income	28

Total nonoperating revenues (expenses)	\$ 265,918
--	------------

Change in net position	\$ 28
------------------------	-------

Net position, beginning of year	11,983
---------------------------------	--------

Net position, end of year	\$ 12,011
---------------------------	-----------

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Cash Flows
 For the Year Ended June 30, 2020

Cash flows from operating activities:	
Payments for other expenses	\$ <u>(265,890)</u>
Net cash provided by (used for) operating activities	\$ <u>(265,890)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	\$ <u>265,768</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>265,768</u>
Cash flows from investing activities:	
Interest income	\$ <u>28</u>
Net cash provided by (used for) investing activities	\$ <u>28</u>
Increase (decrease) in cash and cash equivalents	\$ (94)
Cash and cash equivalents at beginning of year	<u>385</u>
Cash and cash equivalents at end of year	\$ <u><u>291</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (265,890)
Changes in operating assets and liabilities:	<u>-</u>
Net cash provided by (used for) operating activities	\$ <u><u>(265,890)</u></u>

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STATISTICAL INFORMATION

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General Government Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Miscellaneous	Inter-governmental	Total
2019-20	\$ 2,429,686	\$ 1,744,729	\$ 19,230	\$ 28,010	\$ 388,639	\$ 410,240	\$ 2,002,710	\$ 7,023,244
2018-19	2,359,155	1,798,870	22,300	15,742	309,126	172,553	1,144,619	5,822,365
2017-18	2,242,580	1,732,997	21,036	21,354	182,624	298,559	1,169,613	5,668,763
2016-17	2,188,255	1,765,088	17,120	16,192	174,066	146,098	1,057,758	5,364,577
2015-16	2,336,643	1,441,096	16,119	13,580	160,237	131,546	1,103,313	5,202,534
2014-15	2,252,683	1,451,768	15,610	7,704	154,913	63,718	1,118,273	5,064,669
2013-14	2,254,794	1,387,308	16,100	16,413	162,759	112,921	1,735,428	5,685,723
2012-13	2,160,291	1,392,295	21,770	33,736	137,327	73,607	1,281,712	5,100,738
2011-12	2,150,003	1,316,552	16,915	28,577	98,531	70,521	1,412,204	5,093,303
2010-11	2,198,629	1,346,196	1,160	14,942	39,371	143,427	2,016,179	5,759,904

(1) Consists solely of general fund revenues.

General Government Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation and Cultural	Community Development (2)	Capital Outlay	Debt Service	Total
2019-20	\$ 2,079,166	\$ 1,498,546	\$ 2,966,061	\$ 772,328	\$ 305,624	\$ -	\$ 324,314	\$ 7,946,039
2018-19	992,842	1,109,508	1,874,453	808,649	87,512	-	23,127	4,896,091
2017-18	1,170,324	1,068,124	2,252,048	415,922	52,253	-	23,127	4,981,798
2016-17	961,380	924,785	1,611,302	206,382	195,393	-	23,127	3,922,369
2015-16	897,077	924,201	1,824,969	160,788	158,322	15,000	-	3,980,357
2014-15	940,671	872,280	1,189,343	159,973	68,319	86,330	-	3,316,916
2013-14	906,012	807,277	1,410,763	145,437	164,926	896,230	-	4,330,645
2012-13	913,188	908,466	1,425,426	171,119	75,732	316,366	56,571	3,866,868
2011-12	942,180	1,536,328	1,816,541	260,844	-	595,155	292,356	5,443,404
2010-11	798,637	965,170	1,092,989	287,332	-	1,654,469	82,770	4,881,367

(1) Consists solely of general fund expenditures.

(2) Economic Development was a new department in 2012-2013.

Computation of Legal Debt Limit
June 30, 2020

Assessed value of real estate, January 1, 2019	\$ 271,277,738
Legal debt limit, (10% of \$271,277,738)	\$ 27,127,774
Total bonded debt	12,129,000
Legal debt margin	\$ 14,998,774

TOWN OF ALTAVISTA, VIRGINIA

**Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues:				
General property taxes	\$ 2,198,629	\$ 2,150,003	\$ 2,160,291	\$ 2,254,794
Other local taxes	1,346,196	1,316,552	1,392,295	1,387,308
Permits, privilege fees and regulatory licenses	1,160	16,915	21,770	16,100
Fines and forfeitures	14,942	28,577	33,736	16,413
Revenue from use of money and property	39,371	98,576	137,327	162,759
Charges for services	24,193	5,867	6,652	7,309
Miscellaneous	119,234	64,654	66,955	105,612
Intergovernmental	2,016,179	1,412,204	1,281,712	1,735,428
Total revenues	<u>\$ 5,759,904</u>	<u>\$ 5,093,348</u>	<u>\$ 5,100,738</u>	<u>\$ 5,685,723</u>
Expenditures:				
General government administration	\$ 798,637	\$ 942,180	\$ 913,188	\$ 906,012
Public safety	965,170	1,536,328	908,466	807,277
Public works	1,092,989	1,816,541	1,425,426	1,410,763
Parks, recreation, and cultural	308,698	278,255	171,119	145,437
Community development	-	-	75,732	164,926
Capital outlay	1,806,852	595,155	316,366	896,230
Debt service:				
Principal retirement	63,269	280,378	52,870	-
Interest and other fiscal charges	19,501	11,978	3,701	-
Total expenditures	<u>\$ 5,055,116</u>	<u>\$ 5,460,815</u>	<u>\$ 3,866,868</u>	<u>\$ 4,330,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 704,788</u>	<u>\$ (367,467)</u>	<u>\$ 1,233,870</u>	<u>\$ 1,355,078</u>
Other financing sources (uses):				
Transfers in	\$ 16,045	\$ 577,419	\$ -	\$ -
Transfers (out)	(443,145)	(620,819)	(551,270)	(83,000)
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	<u>\$ (427,100)</u>	<u>\$ (43,400)</u>	<u>\$ (551,270)</u>	<u>\$ (83,000)</u>
Net changes in fund balances	<u>\$ 277,688</u>	<u>\$ (410,867)</u>	<u>\$ 682,600</u>	<u>\$ 1,272,078</u>
Fund balance, beginning	<u>9,651,114</u>	<u>9,928,802</u>	<u>9,517,935</u>	<u>10,200,535</u>
Fund balance, ending	<u>\$ 9,928,802</u>	<u>\$ 9,517,935</u>	<u>\$ 10,200,535</u>	<u>\$ 11,472,613</u>

Table 4

	2015	2016	2017	2018	2019	2020
\$	2,252,683	\$ 2,336,643	\$ 2,188,255	\$ 2,242,580	\$ 2,359,155	\$ 2,429,686
	1,451,768	1,441,096	1,765,088	1,732,997	1,798,870	1,744,729
	15,610	16,119	17,120	21,036	22,300	19,230
	7,704	13,580	16,192	21,354	15,742	28,010
	154,913	160,237	174,066	182,624	309,126	388,639
	6,970	7,080	4,578	6,358	6,447	6,098
	56,748	124,466	141,520	292,201	166,106	404,142
	1,118,273	1,103,313	1,057,758	1,169,613	1,144,619	2,002,710
\$	<u>5,064,669</u>	<u>5,202,534</u>	<u>5,364,577</u>	<u>5,668,763</u>	<u>5,822,365</u>	<u>7,023,244</u>
\$	940,671	\$ 897,077	\$ 961,380	\$ 1,170,324	\$ 992,842	\$ 2,079,166
	872,280	924,201	924,785	1,068,124	1,109,508	1,498,546
	1,189,343	1,824,969	1,611,302	2,252,048	1,874,453	2,966,061
	159,973	160,788	206,382	415,922	808,649	772,328
	68,319	158,322	195,393	52,253	87,512	305,624
	86,330	15,000	-	-	-	-
	-	-	14,193	14,201	14,570	314,536
	-	-	8,934	8,926	8,557	9,778
\$	<u>3,316,916</u>	<u>3,980,357</u>	<u>3,922,369</u>	<u>4,981,798</u>	<u>4,896,091</u>	<u>7,946,039</u>
\$	<u>1,747,753</u>	<u>1,222,177</u>	<u>1,442,208</u>	<u>686,965</u>	<u>926,274</u>	<u>(922,795)</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	357,500	-	-	-	299,000
\$	<u>-</u>	<u>357,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,000</u>
\$	1,747,753	\$ 1,579,677	\$ 1,442,208	\$ 686,965	\$ 926,274	\$ (623,795)
	11,472,613	13,220,366	14,800,043	16,242,251	16,929,216	17,855,490
\$	<u>13,220,366</u>	<u>14,800,043</u>	<u>16,242,251</u>	<u>16,929,216</u>	<u>17,855,490</u>	<u>17,231,695</u>

TOWN OF ALTAVISTA, VIRGINIA

Comparative Statement of Revenues, Expenses, and Changes in Net Position of Proprietary Fund
Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating revenues:				
Charges for services	\$ 2,436,783	\$ 2,473,022	\$ 2,490,550	\$ 2,718,048
Other	<u>20,901</u>	<u>35,112</u>	<u>34,859</u>	<u>36,534</u>
Total operating revenues	<u>\$ 2,457,684</u>	<u>\$ 2,508,134</u>	<u>\$ 2,525,409</u>	<u>\$ 2,754,582</u>
Operating expenses:				
Salaries	\$ 767,291	\$ 784,016	\$ 830,583	\$ 847,398
Fringe benefits	243,451	247,986	262,470	268,289
Maintenance	76,241	57,994	43,594	32,722
Utilities	400,263	434,211	413,835	431,410
Materials and supplies	314,191	305,291	294,745	290,007
Sample testing	12,111	16,581	17,242	23,847
Purchase of water	8,110	7,553	4,007	3,910
Other	36,468	96,733	51,397	54,120
Depreciation	675,160	733,329	713,319	709,287
Amortization	<u>4,064</u>	<u>54,122</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 2,537,350</u>	<u>\$ 2,737,816</u>	<u>\$ 2,631,192</u>	<u>\$ 2,660,990</u>
Operating income (loss)	<u>\$ (79,666)</u>	<u>\$ (229,682)</u>	<u>\$ (105,783)</u>	<u>\$ 93,592</u>
Nonoperating revenues (expenses):				
Interest revenue	\$ 10,911	\$ 4,480	\$ 3,388	\$ 2,376
Interest expense	(107,875)	(60,385)	-	-
Bond issuance costs	-	-	-	-
Fluoride grant	<u>-</u>	<u>27,292</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>\$ (96,964)</u>	<u>\$ (28,613)</u>	<u>\$ 3,388</u>	<u>\$ 2,376</u>
Income (loss) before transfers	<u>\$ (176,630)</u>	<u>\$ (258,295)</u>	<u>\$ (102,395)</u>	<u>\$ 95,968</u>
Transfers in	<u>\$ 427,100</u>	<u>\$ 43,400</u>	<u>\$ 551,270</u>	<u>\$ 83,000</u>
Net changes in net position	<u>\$ 250,470</u>	<u>\$ (214,895)</u>	<u>\$ 448,875</u>	<u>\$ 178,968</u>
Net position, beginning, as restated*	<u>12,587,799</u>	<u>12,838,169</u>	<u>12,623,374</u>	<u>13,072,249</u>
Net position, ending	<u><u>\$ 12,838,269</u></u>	<u><u>\$ 12,623,274</u></u>	<u><u>\$ 13,072,249</u></u>	<u><u>\$ 13,251,217</u></u>

* GASB 68 was implemented in FY 2015. No prior year information available related to GASB 68.

* GASB 75 was implemented in FY 2018. No prior year information available related to GASB 75.

Table 5

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 2,913,734	\$ 3,078,713	\$ 3,583,925	\$ 3,473,705	\$ 3,702,997	\$ 3,879,861
<u>21,282</u>	<u>176,432</u>	<u>20,928</u>	<u>39,075</u>	<u>22,917</u>	<u>26,984</u>
\$ <u>2,935,016</u>	\$ <u>3,255,145</u>	\$ <u>3,604,853</u>	\$ <u>3,512,780</u>	\$ <u>3,725,914</u>	\$ <u>3,906,845</u>
\$ 816,887	\$ 777,599	\$ 869,765	\$ 982,232	\$ 1,031,852	\$ 1,075,743
235,766	211,174	272,208	242,237	271,896	346,799
44,888	157,404	370,678	303,183	260,609	135,487
432,098	439,451	448,587	456,681	487,356	573,621
367,905	370,002	395,891	409,434	509,612	471,381
14,247	10,799	18,155	19,790	24,840	32,677
10,428	74,200	92,220	43,300	31,283	30,163
82,190	98,522	165,686	259,565	92,903	237,452
772,296	782,614	1,058,183	1,046,025	1,062,495	1,090,333
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>2,776,705</u>	\$ <u>2,921,765</u>	\$ <u>3,691,373</u>	\$ <u>3,762,447</u>	\$ <u>3,772,846</u>	\$ <u>3,993,656</u>
\$ <u>158,311</u>	\$ <u>333,380</u>	\$ <u>(86,520)</u>	\$ <u>(249,667)</u>	\$ <u>(46,932)</u>	\$ <u>(86,811)</u>
\$ 11,390	\$ 10,396	\$ 4,607	\$ 6,483	\$ 21,011	\$ 20,042
(17,448)	(20,728)	(130,406)	(158,688)	(151,432)	(179,310)
(30,469)	(44,300)	-	-	-	-
<u>-</u>	<u>7,395</u>	<u>24,881</u>	<u>30,458</u>	<u>-</u>	<u>24,455</u>
\$ <u>(36,527)</u>	\$ <u>(47,237)</u>	\$ <u>(100,918)</u>	\$ <u>(121,747)</u>	\$ <u>(130,421)</u>	\$ <u>(134,813)</u>
\$ <u>121,784</u>	\$ <u>286,143</u>	\$ <u>(187,438)</u>	\$ <u>(371,414)</u>	\$ <u>(177,353)</u>	\$ <u>(221,624)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 121,784	\$ 286,143	\$ (187,438)	\$ (371,414)	\$ (177,353)	\$ (221,624)
<u>12,909,062</u>	<u>13,030,846</u>	<u>13,316,989</u>	<u>13,071,631</u>	<u>12,700,217</u>	<u>12,522,864</u>
\$ <u>13,030,846</u>	\$ <u>13,316,989</u>	\$ <u>13,129,551</u>	\$ <u>12,700,217</u>	\$ <u>12,522,864</u>	\$ <u>12,301,240</u>

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COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Altavista, Virginia as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Altavista, Virginia's basic financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. Finding 2020-001.

Compliance and Other Matters

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

Town of Altavista, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

October 26, 2020



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Town of Altavista, Virginia's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Altavista, Virginia's major federal programs for the year ended June 30, 2020. Town of Altavista, Virginia's major federal programs are identified in the summary of auditors' 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 programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Altavista, Virginia's major federal programs 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 that 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 Town of Altavista, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Town of Altavista, Virginia 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 Town of Altavista, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Town of Altavista, Virginia'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 a 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 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 first paragraph of this section 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.

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.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
October 26, 2020

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Justice:			
Pass-Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18DJBX0311	\$ <u>1,749</u>
Department of Treasury:			
Pass-Through Payments:			
County of Campbell, Virginia:			
COVID-19-Coronavirus Relief Fund	21.019	N/A	\$ <u>137,474</u>
Department of Transportation:			
Pass-Through Payments:			
Highway Planning and Construction Cluster:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	EN06-162-190,P101,R201,C501	\$ 745,762
Virginia Department of Conservation and Recreation:			
Recreational Trails Program	20.219	VRT-317N170	<u>2,555</u>
Total Highway Planning and Construction Cluster			\$ <u>748,317</u>
Virginia Department of Rail and Public Transportation:			
Formula Grants for Rural Areas	20.509	N/A	\$ 41,196
COVID-19-Formula Grants for Rural Areas - CARES	20.509	N/A	<u>26,698</u>
Total 20.509			<u>67,894</u>
Total Department of Transportation			\$ <u>816,211</u>
Total Expenditures of Federal Awards-Reporting Entity			\$ <u><u>955,434</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Altavista, Virginia 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. Because the Schedule presents only a selected portion of the operations of the Town of Altavista, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Altavista, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the 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.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - De Minimis Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate all under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Loan Balances

The Town has no loans or loan guarantees which are subject to reporting requirements for the current year.

Note 6 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,002,710
Less nonfederal revenues included in intergovernmental revenue	<u>(1,047,276)</u>

Total primary government	\$ <u>955,434</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>955,434</u></u>
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TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205/20.219	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020 (Continued)

Section II - Financial Statement Findings

2020-001: Segregation of Duties (Material Weakness)

Criteria:

A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.

Condition:

The Town's current internal control system does not provide adequate segregation of duties over accounting functions.

Cause:

Due to the limited size of the Treasurer's Office, a proper separation of duties has not been established and maintained.

Effect:

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

Recommendation:

It is recommended that the Town establish a proper separation of duties.

Management's Response:

Management feels that duties are segregated to the extent feasible with the staffing levels in place. The Town has a small staff and this creates inherent limitations in the division of duties and the segregation that is feasible.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

TOWN OF ALTAVISTA, VIRGINIA

Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2020

Section IV - Prior Year Financial Statement Findings

2019-001: Segregation of Duties (Material Weakness)

Criteria:

A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.

Condition:

The Town's current internal control system does not provide adequate segregation of duties over accounting functions.

Cause:

Due to the limited size of the Treasurer's Office, a proper separation of duties has not been established and maintained.

Effect:

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

Recommendation:

It is recommended that the Town establish a proper separation of duties.

Management's Response:

Management feels that duties are segregated to the extent feasible with the staffing levels in place. The Town has a small staff and this creates inherent limitations in the division of duties and the segregation that is feasible.

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