

# FINANCIAL STATEMENTS



TOWN OF RICHLANDS, VIRGINIA

FISCAL YEAR ENDED  
JUNE 30, 2019

TOWN OF RICHLANDS, VIRGINIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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**TABLE OF CONTENTS**

---

**INTRODUCTORY SECTION**

---

List of Elected and Appointed Officials .....	<u>Page</u> 1
---	------------------

---

**FINANCIAL SECTION**

---

Independent Auditors' Report .....	2-4
Managements' Discussion and Analysis .....	5-17

<b>Basic Financial Statements:</b>	<u>Exhibit</u>	<u>Page</u>
Government-Wide Financial Statements:		
Statement of Net Position .....	1	18
Statement of Activities .....	2	19
Fund Financial Statements:		
Balance Sheet - Governmental Fund .....	3	20
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position .....	4	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund .....	5	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities .....	6	23
Statement of Net Position - Proprietary Funds .....	7	24
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds .....	8	25
Statement of Cash Flows - Proprietary Funds .....	9	26
Notes to Financial Statements .....		27-64

**Required Supplementary Information:**

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
General Fund .....	10	65
Pension Plan:		
Schedule of Changes in Net Pension Liability and Related Ratios .....	11	66
Schedule of Employer Contributions .....	12	67
Notes to Required Supplementary Information .....	13	68
Other Postemployment Benefits - Line of Duty Act (LODA) Program		
Schedule of Employer's Share of Net LODA OPEB Liability .....	14	69
Schedule of Employer Contributions .....	15	70
Notes to Required Supplementary Information .....	16	71

**Other Supplementary Information:**

<b>Supporting Schedules:</b>	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues - Budget and Actual - Governmental Fund .....	1	72-73
Schedule of Expenditures - Budget and Actual - Governmental Fund .....	2	74-75

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

---

TABLE OF CONTENTS (CONTINUED)

Statistical Information:	<u>Table</u>	<u>Page</u>
Government-Wide Information:		
Government-Wide Expenses by Function .....	1	76
Government-Wide Revenues .....	2	77
Fund Information:		
General Governmental Expenditures by Function .....	3	78
General Governmental Revenues by Source .....	4	79
Property Tax Levies and Collections .....	5	80
Assessed Value of Taxable Property .....	6	81
Property Tax Rates .....	7	82
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	8	83
Computation of Legal Debt Margin .....	9	84

---

COMPLIANCE SECTION

---

	<u>Page</u>
Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	85-86

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## INTRODUCTORY SECTION

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## TOWN OF RICHLANDS, VIRGINIA

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### TOWN COUNCIL

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Paul Crawford, Mayor

Rod Cury, Vice Mayor

Richard Brown

Vickie England

Doug Ratliff

Mary Ann Strong

Rick Wood

Connie Allen, Town Clerk

### OTHER OFFICIALS

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Timothy Taylor ..... Town Manager

Adrienne Cordle ..... Office Manager/Accountant

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## FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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

**Report on the Financial Statements**

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

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

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

***Auditors' Responsibility***

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

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

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



## ***Opinions***

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

## ***Change in Accounting Principles***

As described in Note 19 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-17, 65, and 66-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

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

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of the Town of Richlands, 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 the Town of Richlands, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Richlands, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
November 7, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers the readers of the Town of Richlands, Virginia (the Town) financial statements a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

### Financial Highlights for fiscal year 2019

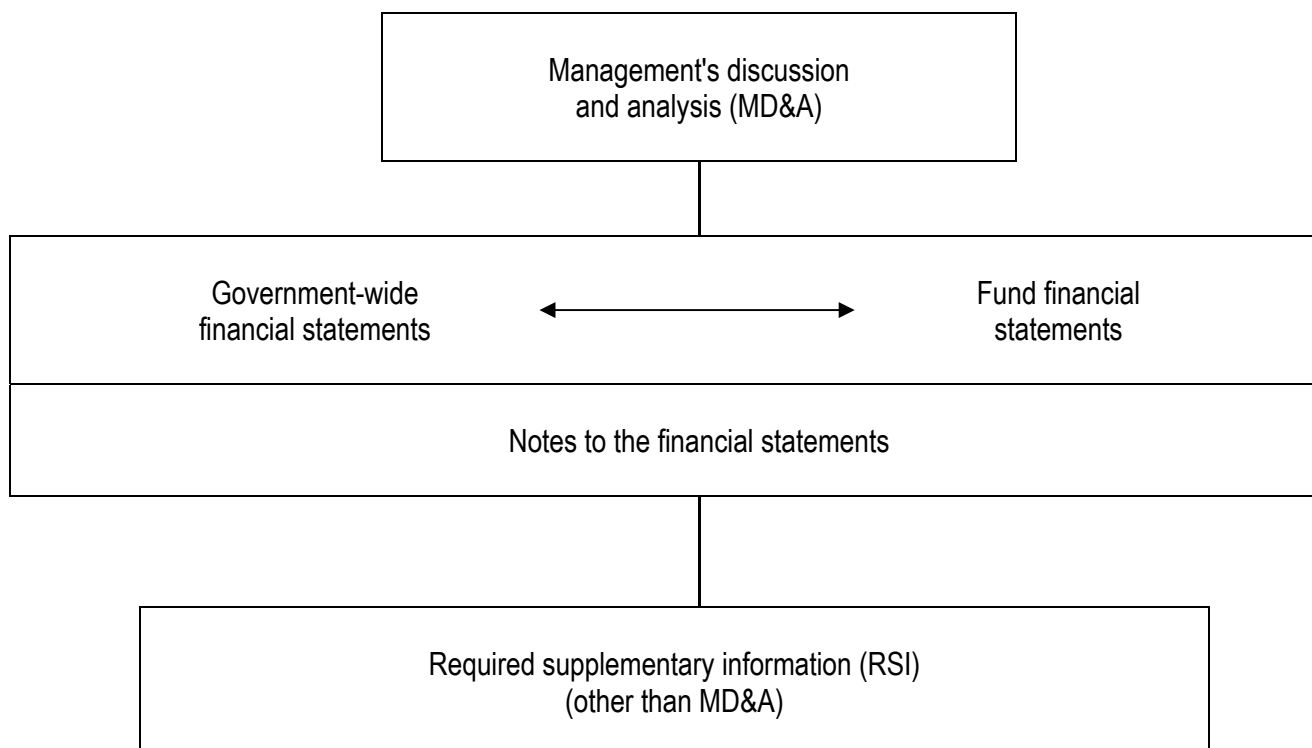
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,053,084 (net position). Of this amount, \$(1,082,108) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$23,698. The decrease is attributable to an increase in governmental liabilities as offset by a decrease in business-type liabilities.
- The Town's total liabilities and deferred inflows of resources at the close of the current fiscal year were \$13,157,773, including \$10,227,643 in long-term obligations.
- Long-term obligations primarily represent amounts due on the Town's general obligation bonds and net pension liability.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$177,852, a decrease of \$275,671 from the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$(191,414), or -3.4% of total general fund expenditures. Such amount would be available for spending at the government's discretion.
- At the end of the fiscal year June 30, 2019, the Town incurred expenses of \$132,914 for building and land improvements at the Town's Historical Railroad Foreman Section House property. The expenses incurred for this portion of the project, was the Town's matching contribution for a grant that was awarded by VDOT, in the amount of \$438,000, for the restoration project.
- During the current fiscal year, the Town made capital improvements to its recreational facility weight room totaling approximately \$34,921. The improvements consist of purchasing weight and fitness equipment/machines. The Town also purchased new vehicles for the public works and public safety departments as well as public safety equipment totaling \$259,035 and computer / IT equipment for approximately \$15,600.
- The Town had one revenue bond at the end of the current fiscal year with a total balance of \$560,546.
- The Town had general obligation bonds at June 30, 2019 with an ending balance of \$1,501,121.

## Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three major components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, in addition to the basic financial statements themselves.

Figure A shows how the required parts of this MD&A and the Town's basic financial statements are arranged and related to one another.

**Figure A**  
**Required Components of Richland's Financial Statements**



## Government-Wide 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 non-fiduciary activities of the primary government. *Government 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

The government-wide financial statements can be found on page 18-19 of this report.

## Fund Financial Statements

The format of the fund financial statements will be more familiar to traditional users of the Town's financial statements. The fund financial statements provide more detailed information about the Town's most significant funds – not the Town as a whole. Funds are accounting mechanisms that the Town uses to keep track of specific sources of funding and spending for particular purposes. Separate financial statements are provided for governmental and proprietary funds. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

### Governmental Funds

*Governmental funds* account for expendable financial resources other than those accounted for in the proprietary funds. The governmental fund measurement focus is upon determination of financial position and cash flows in and out and the balances that remain at year-end that is available for spending (rather than net income determination as would apply to a commercial enterprise). As a result, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The Town reports one major government fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, with the exception of those accounted for in another fund.

The basic governmental fund financial statements can be found on pages 20 and 22 of this report.

### Proprietary Funds

*Proprietary funds* distinguish *operating* revenues and expenses from *non-operating* 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 revenue of the enterprise funds 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 non-operating revenues and expenses.

The Town reports the following major proprietary funds:

The *electric fund* accounts for the activities of the electric operations.

The *water and sewer fund* accounts for the activities of the water operations.

The basic proprietary fund statements can be found on pages 24-26 of this report.

## Budgetary Comparison

The Town adopts an annual appropriated budget for all government funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget and will disclose how accurately the governing body was able to forecast the revenues and expenditures of the Town.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-64 of this report.

## Government-Wide Financial Analysis

### Statement of Net Position

The following table reflects the Town's condensed net position:

**Table 1**  
**Summary of Net Position**  
**As of June 30, 2019**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 1,478,954	\$ 1,618,908	\$ 7,193,558	\$ 7,496,836	\$ 8,672,512	\$ 9,115,744
Capital assets	10,532,590	10,394,002	10,970,203	10,502,053	21,502,793	20,896,055
<b>Total assets</b>	<b>12,011,544</b>	<b>12,012,910</b>	<b>18,163,761</b>	<b>17,998,889</b>	<b>30,175,305</b>	<b>30,011,799</b>
Deferred outflows of resources	569,644	738,503	293,481	460,555	863,125	1,199,058
Long-term liabilities	5,699,444	5,657,867	4,461,876	4,569,776	10,161,320	10,227,643
Other liabilities	943,866	1,330,218	1,127,948	817,856	2,071,814	2,148,074
<b>Total liabilities</b>	<b>6,643,310</b>	<b>6,988,085</b>	<b>5,589,824</b>	<b>5,387,632</b>	<b>12,233,134</b>	<b>12,375,717</b>
Deferred inflows of resources	544,339	654,181	184,175	127,875	728,514	782,056
<b>Net position:</b>						
Net investment in capital assets	10,532,590	10,379,482	8,776,499	8,440,386	19,309,089	18,819,868
Restricted	228,409	315,324	-	-	228,409	315,324
Unrestricted	(5,367,460)	(5,585,659)	3,906,744	4,503,551	(1,460,716)	(1,082,108)
<b>Total net position</b>	<b>\$ 5,393,539</b>	<b>\$ 5,109,147</b>	<b>\$ 12,683,243</b>	<b>\$ 12,943,937</b>	<b>\$ 18,076,782</b>	<b>\$ 18,053,084</b>

Over time, net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,053,084 at the close of fiscal year 2019. The largest portion of the Town's net position (104.2%) reflects its net investment in capital assets (e.g., land, buildings, plant in service, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Since the capital assets themselves cannot be used to pay the related debt, the resources needed to service this debt must be provided from other sources.

## Statement of Activities

The following table shows the revenues and expenses of the Town's governmental and business-type activities:

**Table 2**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2019**

	Governmental Activities		Business-type Activities	
	2018	2019	2018	2019
Revenues:				
Program revenues :				
Charges for services	\$ 1,082,893	\$ 1,290,813	9,102,539	\$ 9,522,909
Operating grants & contributions	1,458,570	1,048,098	-	-
Capital grants & contributions	354,578	-	9,922	-
General revenue:				
Property taxes	538,056	497,664	-	-
Other local taxes	2,044,120	2,207,338	-	-
Unrestricted investment earnings	8,219	10,125	8,568	12,604
Other / Miscellaneous	59,575	102,805	1,962	1,961
Grants and contributions not restricted	4,954	15,515	-	-
Total revenues	5,550,965	5,172,358	9,122,991	9,537,474
Expenses:				
General government administration	235,766	343,375	-	-
Public safety	2,795,730	2,764,887	-	-
Public works	2,200,116	1,802,564	-	-
Parks, recreation, culture	403,439	491,984	-	-
Community development	30,235	53,940	-	-
Nondepartmental	-	-	-	-
Interest-Long term debt	226	-	-	-
Electric	-	-	6,780,758	6,486,240
Water & sewer	-	-	2,719,717	2,790,540
Total expenses	5,665,512	5,456,750	9,500,475	9,276,780
Excess (deficiency)	(114,547)	(284,392)	(377,484)	260,694
Change in net position	(114,547)	(284,392)	(377,484)	260,694
Net position-July 1	5,508,086	5,393,539	13,060,727	12,683,243
Net position-June 30	\$ 5,393,539	\$ 5,109,147	\$ 12,683,243	\$ 12,943,937

## Statement of Activities (Continued)

During the current fiscal year, the Town's net position decreased by \$23,698. This is comprised of a decrease from governmental activities of \$284,392 and an increase in business-type activities of \$260,694.

**Governmental activities** – Governmental activities decreased the Town's net position by \$284,392. Additional factors are noted below.

Revenues from governmental activities totaled \$5,172,358, with charges for services (25.0%), other local taxes (42.7%) and operating grants & contributions (20.3%), being the major sources of revenues. Most revenues in comparison to the previous year had nominal changes with the exception of operating grants & contributions, which decreased \$410,472, capital grants & contributions, which decreased \$354,578 and other local taxes which increased \$163,218. The decrease in operating grants & contributions and capital grants & contributions was due to the completion of a VDOT Grant Funded project for Street and Highway Maintenance (paving to be specific) as well as the completion of the VDOT Enhancement Grant funded project for the Restoration of the Town's Railroad Foreman Section House. Both projects were complete, and all grant funding was disbursed during the previous fiscal year. Other local taxes increased due to the implementation of a cigarette tax and water consumption tax during the current fiscal year.

Expenses for governmental activities totaled \$5,456,750 with parks, recreation and culture (9.0%), public safety (50.7%), public works (33.0%), accounting for approximately 92.7% of total governmental expenses. Public works expenses decreased \$397,552, parks, recreation and culture increased by \$88,545, while public safety decreased by \$30,843 and general government administration increased by \$107,609. The increase in expenses for parks & recreation is due to facility renovations & improvements and the decrease in expenses for public works is due to no paving of street and highways during the current fiscal year. The increase in general government administration is due to an increase in operating and maintenance expenses and capital related purchases. The decreases in expenses were attributed to a decrease in operating and maintenance.

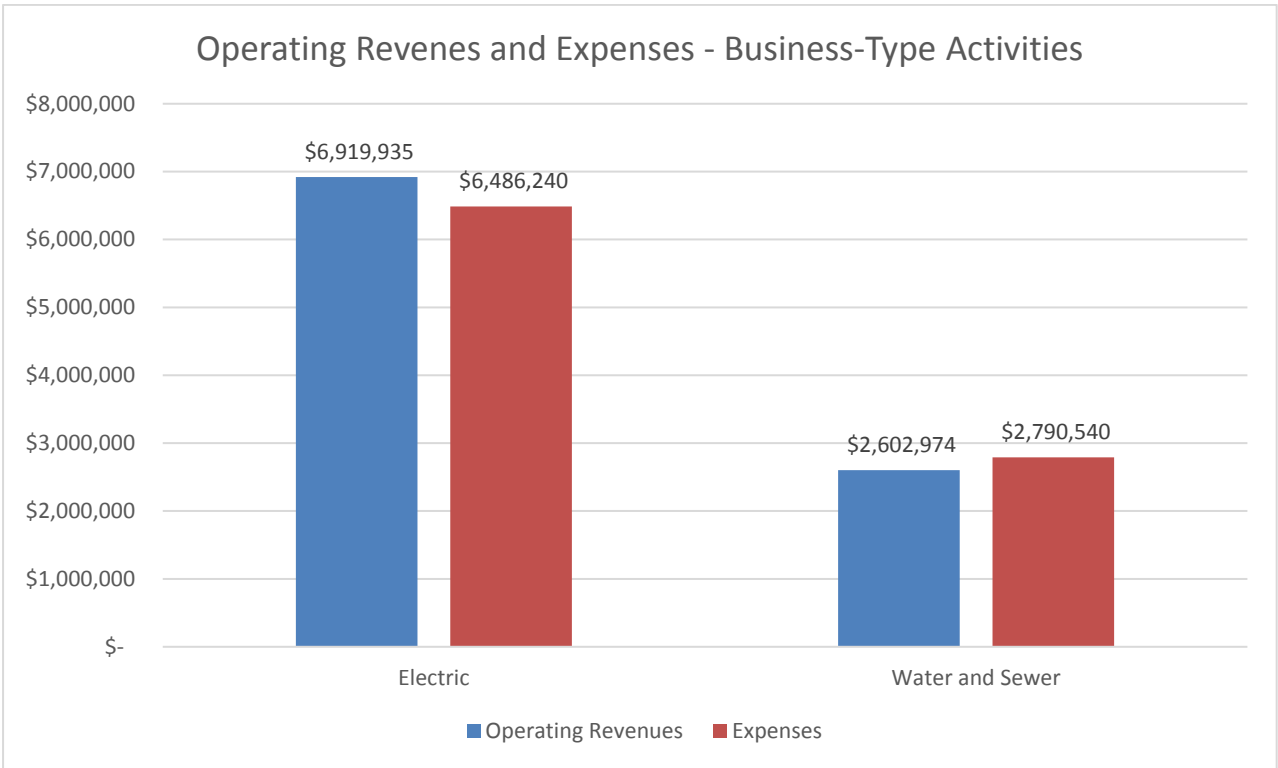
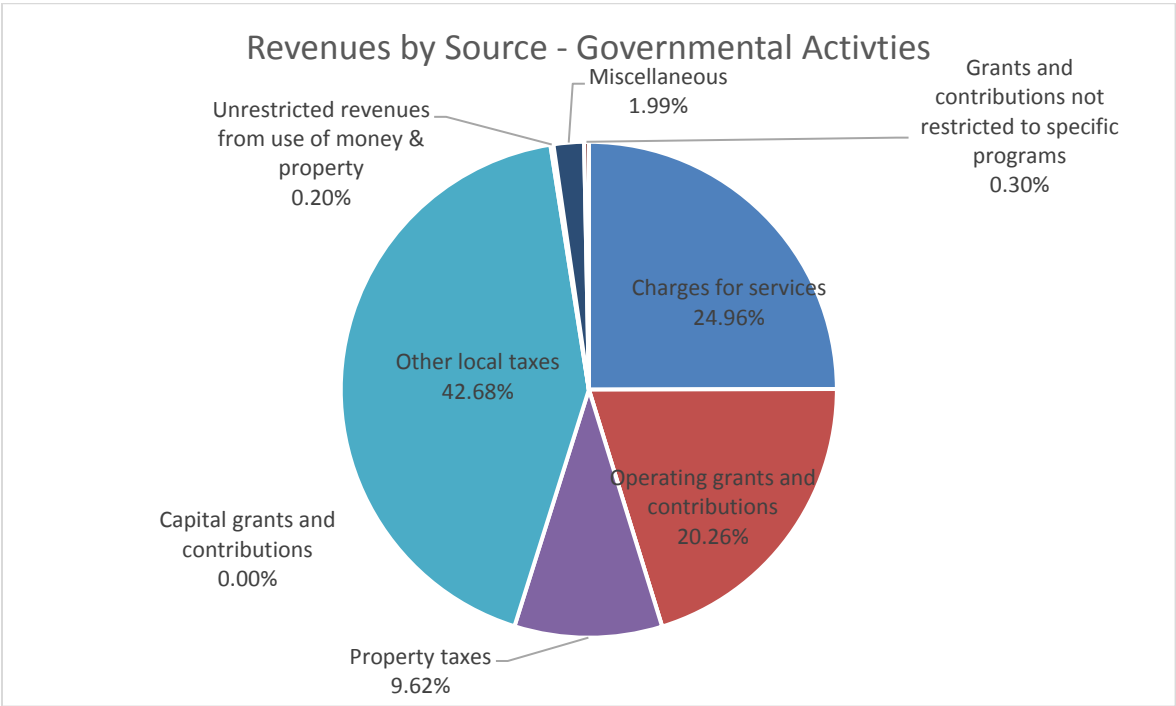
**Business-type activities** – Net position of the business-type activities was \$12,943,937 at June 30, 2019. This was an increase of \$260,694 from the prior year net position. The current year increase is \$638,178 more than the prior year decrease of \$377,484. This is as a result of a decrease in purchased power costs and an increase in charges for services for water and sewer.



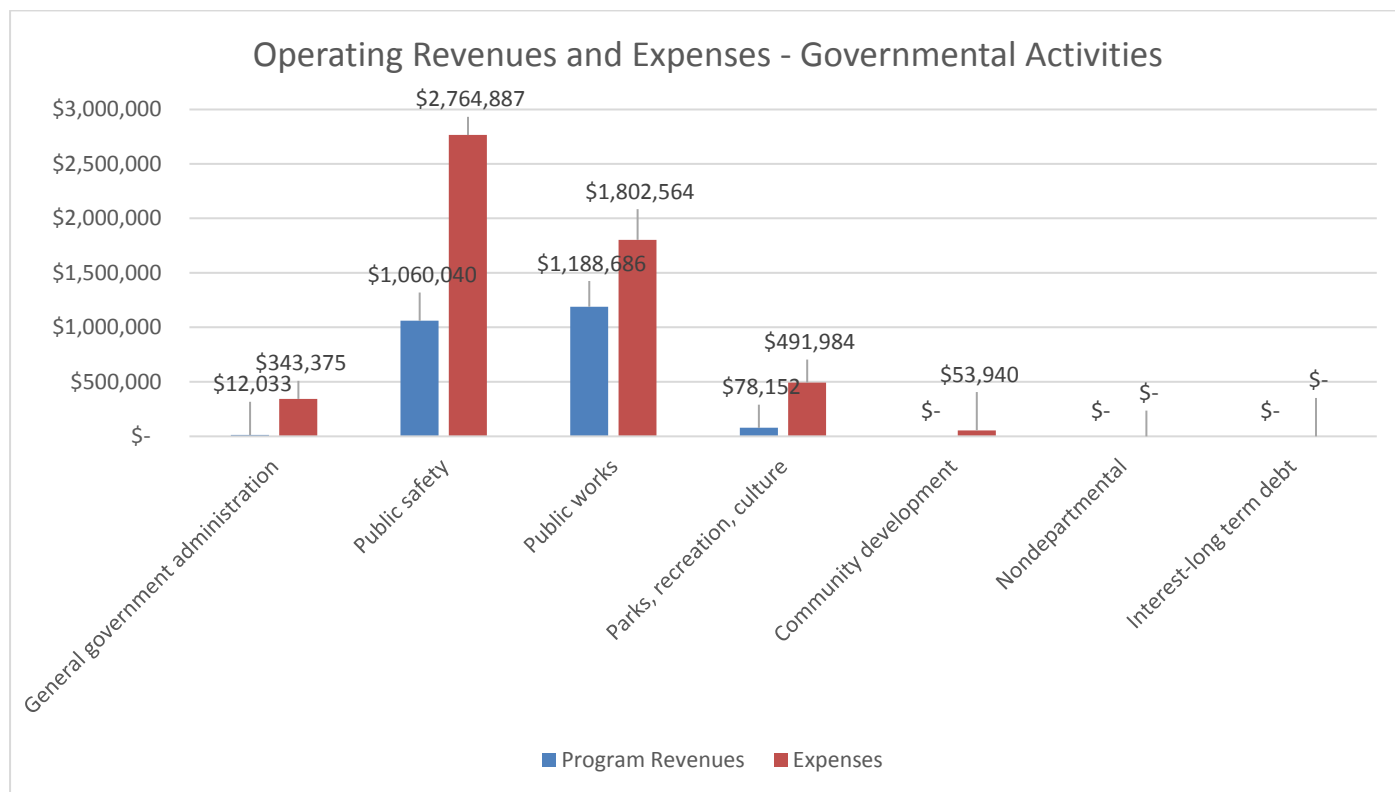
Statement of Activities (Continued)

Program revenues for the business-type activities totaled \$9,522,909, which were charges for services. Expenses totaled \$9,276,780.

- Operating revenues increased from the prior year by \$420,370.
- Proprietary operating expenses decreased from the prior year by \$221,037.



## Statement of Activities (Continued)



## Financial Analysis of the Government's Funds

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

### Governmental Funds

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

The general fund is the government's primary operating fund. At the end of the current fiscal year, the Town's general fund reported an ending fund balance of \$177,852, including an unassigned fund balance of \$(191,414), which would be available for spending at the government's discretion. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately -3.4% of total fund expenditures.

The fund balance of the Town's general fund decreased during the current fiscal year by \$275,671 from current year activities. Total revenues decreased by \$423,826 due primarily to a decrease in intergovernmental revenues; however, total expenditures decreased by \$157,030 significantly due to a decrease in public works operating expenses (street & highway maintenance-paving).

## Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electric and water and sewer funds amounted to \$2,283,490 and \$2,220,061, respectively. The total increase in net position was \$260,694 during the current fiscal year.

### Electric fund

The electric fund net position increased by \$441,798 from current year activities in fiscal year 2019 compared to a prior year decrease of \$59,402. The increase was primarily a result of a decrease in operating expenses. Operating expenses decreased by \$293,632 (5.0%) due significantly to a decrease in purchased power which equated to \$435,117, as well as a slight increase in personnel cost for employees.

Electric fund non-operating revenues increased \$3,025 from the prior year, which was related primarily to an increase in investment income during the current fiscal year. Electric fund non-operating expense decreased \$886 from the prior year due to a decrease in interest expense on Dell capital lease.

### Water and sewer fund

The water and sewer fund net position decreased by \$181,104 from current year activities in fiscal year 2019 compared to the prior year decrease of \$436,886. The decrease in net position was a result of an increase in operating expense. Operating revenues increased by \$335,517 (15.0%) due primarily to an increase in charges for services. Operating expenses increased \$72,595 (3.0%), as a result of increased engineering cost and employee and personnel expenses. Non-operating expenses decreased by \$1,772 due to a decrease in interest expense and non-operating revenue increased by \$1,010 as a result of an increase in investment earning.

## General Fund Budgetary Highlights

Differences between the budgeted amounts versus the actual amounts are noted below:

- Actual revenues were less than budgeted revenues by \$108,769. The decrease is a result of a combination of a decrease in several revenues; however, an increase in several revenues as well. The most significant budget variances were: \$272,952 negative variance in revenues from the commonwealth which is attributed largely to VDOT highway maintenance funds received by the Town but not expended in the current fiscal year; a positive variance of \$138,022 under revenue from local resources due to an increase in donations received in the parks & recreation department as well as the public safety departments and an increase in restitution collections; a positive variance of \$44,938 under other local taxes revenues as well as a negative variance of \$33,761 in fines and forfeitures.
- Actual Expenditures were more than budgeted expenditures by \$71,011. This is due primarily to an increase in capital projects as well as a combination of an increase of various expenditures to include general government administration, parks, recreation, and cultural. Public safety, public works and community development expenses were all less than budgeted.

## General Fund Budgetary Highlights (Continued)

### General Fund Condensed Budget vs. Actual Fiscal Year ended June 30, 2019

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues	\$ 5,339,754	\$ 5,339,754	\$ 5,230,985
Expenditures	(5,487,841)	(5,487,841)	(5,558,852)
Other Financing Sources	10,000	10,000	52,196
Change in fund balance	\$ (138,087)	\$ (138,087)	\$ (275,671)

## Capital Asset and Debt Administration

### Capital Assets

The Town's total capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$20,896,055. The capital assets include land, construction in progress, buildings and improvements, improvements other than buildings, equipment, and public domain infrastructure additions in the current fiscal year.

Major capital asset events during the current year included the following:

- Capital asset acquisitions in governmental activities totaled \$455,767 (gross) in the current fiscal year. This was for construction in progress (\$133,283), machinery and equipment (\$309,569), infrastructure (\$9,479) and buildings and system (\$3,436).
- Capital asset acquisitions in business-type activities totaled \$158,608 in the current fiscal year. This was for construction in progress (\$53,420), utility plant and buildings in service (\$17,959), machinery and equipment (\$87,229).

## Capital Assets (Continued)

### The Town's Capital Assets (Net of Depreciation) Fiscal Year ended June 30, 2019

	Governmental Activities		Business-Type Activities	
	2018	2019	2018	2019
Land	\$ 1,357,395	\$ 1,357,395	\$ 517,913	\$ 517,913
Construction in Progress	-	133,283	26,959	80,379
Buildings and improvements	2,341,228	2,223,297	9,352,572	8,892,423
Improvements other than buildings	6,106,448	5,868,985	-	-
Equipment	727,519	811,042	1,072,759	1,011,338
<b>Total</b>	<b>\$ 10,532,590</b>	<b>\$ 10,394,002</b>	<b>\$ 10,970,203</b>	<b>\$ 10,502,053</b>

Additional information on the Town's capital assets can be found in Note 12 on pages 60-61 of this report.

## Long-term debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$2,061,667. Of this amount, \$560,546 is comprised of one revenue bond and the remaining balance of \$1,501,121 is general obligation bonds.

### The Town's Long-term Bond Debt Fiscal Year ended June 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance
<i>Fiscal year 2018</i>				
<b>Business-Type Activities:</b>				
General obligation bonds	\$ 1,675,511	\$ -	\$ 87,196	\$ 1,588,315
Revenue bonds	650,233	-	44,844	605,389
<b>Total</b>	<b>\$ 2,325,744</b>	<b>\$ -</b>	<b>\$ 132,040</b>	<b>\$ 2,193,704</b>
<i>Fiscal year 2019</i>				
<b>Business-Type Activities:</b>				
General obligation bonds	\$ 1,588,315	\$ -	\$ 87,194	\$ 1,501,121
Revenue bonds	605,389	-	44,843	560,546
<b>Total</b>	<b>\$ 2,193,704</b>	<b>\$ -</b>	<b>\$ 132,037</b>	<b>\$ 2,061,667</b>

Additional information on the Town's long-term liability can be found in Note 5 on pages 37-39 of this report.

## Economic Factors and Next Year's Budget Rates

- The unemployment rate as of June 30, 2019 for the County of Tazewell, in which the Town resides, is 4.3%, which is a decrease from the average for 2018 of 4.9%. This compares to the state's unemployment rate of 2.9% and the national rate of 3.7%.
- The Town is located in the AEP Zone of PJM Interconnection, LLC ("PJM"). The Town is also a member of American Municipal Power ("AMP") and has purchased block power from the PJM market through AMP to meet a portion of its energy needs. Additionally, through AMP, the Town is participating in several generation assets including: 2.588 MW of the Prairie State Coal plant unit #1 and unit #2 PSEC are in full commercial operation, 1.5 MW in the AMP Hydroelectric run-of-the river project (Cannelton, Smithland, and Willow Island) located on the Ohio River and 2.2 MW in the Fremont energy campus project is in full commercial operation. The Town also purchases 0.5 MW of capacity and associated energy from Southeastern Power Administration ("SEPA") through a Purchase Power Agreement ("PPA") that is cancelable by either party. Exposure to the volatile energy commodity market will be greatly reduced by providing over 50% of the Town's load requirements from these projects.
- The Town will continue to monitor the effects of current economic conditions on energy costs in relation to powering water and wastewater plant facilities and rising costs of raw materials needed to maintain the Town and its infrastructure.
- The Town's Water and Wastewater Treatment Facilities are between 25-30 years old with equipment nearing its useful life. Thompson & Litton Engineering Firm has prepared a Water and Wastewater Asset Management/Capital Improvements Plan and is in the process of completing a preliminary engineering report for the rehabilitation of the wastewater treatment plant. Because of the needed improvements and upgrades to both plants; the Town will propose an increase in the water and sewer rates for the upcoming fiscal year 2020 based on recommendations from a Cost of Service Study.
- The downturn in the area economy from the retirement of coal industry related jobs and companies has resulted in a negative economic impact for downtown Richlands and surrounding areas. The Town is working diligently on several projects to revitalize downtown and to stimulate growth and downtown development. The Richlands Council, Planning Commission and Richlands Industrial Development Authority are working together on several projects that will promote growth and stability in downtown Richlands through tourism and community development efforts. The Town has applied for grant funding and plans to apply for additional grants for the following projects.
  - The Downtown Clinch River Walk Trail
  - VHDA Grant for Housing Market Study and Architectural Concepts Plan
  - DHCD Planning Grant
  - DHCD Revitalization Grant
  - Cumberland Plateau Company Economic and Community Development Grant
- The Town hopes to capitalize on upcoming tourism attractions along our town border and within Tazewell County. An All-terrain vehicle (ATV) and Jeep trail are in the final stages of development and are scheduled to open in late 2019 / early 2020. The trail head is adjacent to the Town of Richlands boundary and based on research by the trail development organization will draw many visitors from various states. The trail is unique in the fact that it is the only trail that accommodates Jeeps.

All these factors were considered in preparing the Town's budget for fiscal year 2020.

Unassigned fund balance in the general fund was (\$191,414) as of June 30, 2019. As a result, the town has no available funds to be utilized in order to meet any additional obligations to its citizens or to fund future capital projects.

## Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Town of Richlands, 200 Washington Square, Richlands, VA 24641.

## Basic Financial Statements



Town of Richlands, Virginia  
Statement of Net Position  
At June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 967,693	\$ 4,736,891	\$ 5,704,584
Investments	113,484	428,546	542,030
Receivables (net of allowance for uncollectibles):			
Taxes receivable	91,209	-	91,209
Accounts receivable	305,631	690,558	996,189
Due from other governmental units	86,949	1,063,990	1,150,939
Prepaid items	53,942	288,094	342,036
Restricted assets:			
Cash and cash equivalents	-	288,757	288,757
Capital assets (net of accumulated depreciation):			
Land	1,357,395	517,913	1,875,308
Buildings and system	2,223,297	-	2,223,297
Machinery and equipment	811,042	1,011,338	1,822,380
Infrastructure/utility plant and buildings in service	5,868,985	8,892,423	14,761,408
Construction in progress	133,283	80,379	213,662
Total assets	<u>\$ 12,012,910</u>	<u>\$ 17,998,889</u>	<u>\$ 30,011,799</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 523,686	\$ 460,555	\$ 984,241
OPEB related items	214,817	-	214,817
Total deferred outflows of resources	<u>\$ 738,503</u>	<u>\$ 460,555</u>	<u>\$ 1,199,058</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 235,592	\$ 508,589	\$ 744,181
Accrued liabilities	112,029	20,510	132,539
Customers' deposits	-	288,757	288,757
Unearned revenue	982,597	-	982,597
Long-term liabilities:			
Due within one year	237,536	223,141	460,677
Due in more than one year	5,420,331	4,346,635	9,766,966
Total liabilities	<u>\$ 6,988,085</u>	<u>\$ 5,387,632</u>	<u>\$ 12,375,717</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - prepaid taxes	\$ 25,334	\$ -	\$ 25,334
Pension related items	484,847	127,875	612,722
OPEB related items	144,000	-	144,000
Total deferred inflows of resources	<u>\$ 654,181</u>	<u>\$ 127,875</u>	<u>\$ 782,056</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 10,379,482	\$ 8,440,386	\$ 18,819,868
Restricted	315,324	-	315,324
Unrestricted	(5,585,659)	4,503,551	(1,082,108)
Total net position	<u>\$ 5,109,147</u>	<u>\$ 12,943,937</u>	<u>\$ 18,053,084</u>

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

Town of Richlands, Virginia  
Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 343,375	\$ 12,033	\$ -	\$ -	\$ (331,342)	\$ -	\$ (331,342)
Public safety	2,764,887	663,611	396,429	-	(1,704,847)	-	(1,704,847)
Public works	1,802,564	537,017	651,669	-	(613,878)	-	(613,878)
Parks, recreation, and cultural	491,984	78,152	-	-	(413,832)	-	(413,832)
Community development	53,940	-	-	-	(53,940)	-	(53,940)
Total governmental activities	\$ 5,456,750	\$ 1,290,813	\$ 1,048,098	\$ -	\$ (3,117,839)	\$ -	\$ (3,117,839)
Business-type activities:							
Water and sewer	\$ 2,790,540	\$ 2,602,974	\$ -	\$ -	\$ -	\$ (187,566)	\$ (187,566)
Electric	6,486,240	6,919,935	-	-	-	433,695	433,695
Total business-type activities	\$ 9,276,780	\$ 9,522,909	\$ -	\$ -	\$ -	\$ 246,129	\$ 246,129
Total primary government	\$ 14,733,530	\$ 10,813,722	\$ 1,048,098	\$ -	\$ (3,117,839)	\$ 246,129	\$ (2,871,710)
General revenues:							
General property taxes	\$ 497,664	\$ -	\$ -	\$ -	\$ 497,664	\$ -	\$ 497,664
Other local taxes:							
Local sales and use taxes	384,909	-	-	-	384,909	-	384,909
Consumers' utility taxes	234,560	-	-	-	234,560	-	234,560
Business license taxes	460,171	-	-	-	460,171	-	460,171
Motor vehicle licenses	34,130	-	-	-	34,130	-	34,130
Bank stock tax	207,839	-	-	-	207,839	-	207,839
Meals taxes	775,145	-	-	-	775,145	-	775,145
Other local taxes	110,584	-	-	-	110,584	-	110,584
Unrestricted revenues from use of money and property	10,125	-	-	-	10,125	12,604	22,729
Miscellaneous	102,805	-	-	-	102,805	1,961	104,766
Grants and contributions not restricted to specific programs	15,515	-	-	-	15,515	-	15,515
Total general revenues	\$ 2,833,447	\$ 14,565	\$ -	\$ -	\$ 2,833,447	\$ 14,565	\$ 2,848,012
Change in net position	\$ (284,392)	\$ 260,694	\$ -	\$ -	\$ (284,392)	\$ 260,694	\$ (23,698)
Net position - beginning	5,393,539	12,683,243	-	-	5,393,539	12,683,243	18,076,782
Net position - ending	\$ 5,109,147	\$ 12,943,937	\$ -	\$ -	\$ 5,109,147	\$ 12,943,937	\$ 18,053,084

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

Town of Richlands, Virginia  
Balance Sheet  
Governmental Fund  
At June 30, 2019

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 967,693
Investments	113,484
Receivables (net of allowance for uncollectibles):	
Taxes receivable	91,209
Accounts receivable	305,631
Due from other governmental units	86,949
Prepaid expenses	53,942
Total assets	<u>\$ 1,618,908</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 235,592
Accrued payroll and related liabilities	112,029
Unearned revenue	982,597
Total liabilities	<u>\$ 1,330,218</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	\$ 85,504
Unavailable revenue - prepaid taxes	25,334
Total deferred inflows of resources	<u>\$ 110,838</u>
<b>FUND BALANCES</b>	
Nonspendable	\$ 53,942
Restricted	315,324
Unassigned	(191,414)
Total fund balances	<u>\$ 177,852</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,618,908</u>

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

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

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	177,852
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,357,395	
Buildings and improvements	2,223,297	
Machinery and equipment	811,042	
Infrastructure/utility plant and buildings in service	5,868,985	
Construction in progress	<u>133,283</u>	10,394,002

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

Unavailable revenue - property taxes		85,504
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 523,686	
OPEB related items	<u>214,817</u>	738,503

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

Capital lease	\$ (14,520)	
Compensated absences	(306,555)	
Net pension liability	(4,451,792)	
Net OPEB liability	<u>(885,000)</u>	(5,657,867)

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

Pension related items	\$ (484,847)	
OPEB related items	<u>(144,000)</u>	(628,847)

Net position of governmental activities	\$	<u><u>5,109,147</u></u>
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The notes to the financial statements are an integral part of this statement.

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

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	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 466,610
Other local taxes	2,207,338
Permits, privilege fees, and regulatory licenses	1,145
Fines and forfeitures	49,339
Revenue from the use of money and property	10,125
Charges for services	1,240,329
Miscellaneous	102,805
Recovered costs	89,681
Intergovernmental	1,063,613
Total revenues	<u>\$ 5,230,985</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 295,268
Public safety	2,806,069
Public works	1,483,770
Parks, recreation, and cultural	462,720
Community development	54,309
Capital projects	449,456
Debt service:	
Principal retirement	7,260
Total expenditures	<u>\$ 5,558,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (327,867)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of capital lease	\$ 21,780
Sale of capital assets	30,416
Total other financing sources (uses)	<u>\$ 52,196</u>
Net change in fund balances	\$ (275,671)
Fund balances - beginning	453,523
Fund balances - ending	<u><u>\$ 177,852</u></u>

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

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

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

Net change in fund balances - total governmental fund	\$	(275,671)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 455,767	
Depreciation expense	<u>(594,355)</u>	(138,588)

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

Property taxes		31,054
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:

Issuance of capital lease	\$ (21,780)	
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Principal repayments:

Capital lease	<u>7,260</u>	(14,520)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (38,438)	
Change in pension related items	186,025	
Change in OPEB related items	<u>(34,254)</u>	113,333

Change in net position of governmental activities	<u>\$</u>	<u>(284,392)</u>
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The notes to the financial statements are an integral part of this statement.

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

	Enterprise Funds		
	Water and Sewer	Electric	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,346,186	\$ 2,390,705	\$ 4,736,891
Investments	166,971	261,575	428,546
Accounts receivable, net of allowances for uncollectibles	162,093	528,465	690,558
Due from other governmental units	1,063,990	-	1,063,990
Prepaid items	-	288,094	288,094
Total current assets	\$ 3,739,240	\$ 3,468,839	\$ 7,208,079
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 59,744	\$ 229,013	\$ 288,757
Total restricted assets	\$ 59,744	\$ 229,013	\$ 288,757
Capital assets:			
Utility plant and buildings in service	\$ 21,215,821	\$ 1,098,013	\$ 22,313,834
Machinery and equipment	1,026,523	1,723,212	2,749,735
Land	517,913	-	517,913
Accumulated depreciation	(13,182,811)	(1,976,997)	(15,159,808)
Construction in progress	80,379	-	80,379
Net capital assets	\$ 9,657,825	\$ 844,228	\$ 10,502,053
Total noncurrent assets	\$ 9,717,569	\$ 1,073,241	\$ 10,790,810
Total assets	\$ 13,456,809	\$ 4,542,080	\$ 17,998,889
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 283,376	\$ 177,179	\$ 460,555
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 73,358	\$ 435,231	\$ 508,589
Accrued wages	14,695	5,815	20,510
Customers' deposits	59,744	229,013	288,757
Revenue bonds payable - current portion	44,844	-	44,844
GO and revenue bonds - current portion	87,195	-	87,195
Compensated absences - current portion	63,997	27,105	91,102
Total current liabilities	\$ 343,833	\$ 697,164	\$ 1,040,997
Noncurrent liabilities:			
Revenue bonds payable - net of current portion	\$ 515,702	\$ -	\$ 515,702
GO and revenue bonds - net of current portion	1,413,926	-	1,413,926
Compensated absences - net of current portion	21,332	9,035	30,367
Net pension liability	1,544,563	842,077	2,386,640
Total noncurrent liabilities	\$ 3,495,523	\$ 851,112	\$ 4,346,635
Total liabilities	\$ 3,839,356	\$ 1,548,276	\$ 5,387,632
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 84,610	\$ 43,265	\$ 127,875
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,596,158	\$ 844,228	\$ 8,440,386
Unrestricted	2,220,061	2,283,490	4,503,551
Total net position	\$ 9,816,219	\$ 3,127,718	\$ 12,943,937

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

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

	Enterprise Funds		
	<u>Water and Sewer</u>	<u>Electric</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services	\$ 2,559,548	\$ 6,787,401	\$ 9,346,949
Contract work	869	23,825	24,694
Lab testing and septic treatment	5,451	-	5,451
Penalties and service charges	35,556	89,444	125,000
Connection fees	1,550	-	1,550
Utility pole permits	-	19,265	19,265
Total operating revenues	\$ 2,602,974	\$ 6,919,935	\$ 9,522,909
<b>OPERATING EXPENSES</b>			
Salaries, wages and fringes	\$ 1,309,267	\$ 725,438	\$ 2,034,705
Insurance	28,352	11,770	40,122
Audit and legal	29,638	18,495	48,133
Dues, memberships and training	2,764	22,102	24,866
Office supplies and postage	22,017	12,144	34,161
Telecommunications	9,919	3,969	13,888
Equipment and vehicle maintenance	51,803	31,680	83,483
Supplies	249,406	58,400	307,806
Utilities	389,445	19,580	409,025
Heating oil/fuel	30,161	-	30,161
Traffic safety	-	2,248	2,248
Miscellaneous	13,681	23,615	37,296
Plant parts and repairs	15,731	-	15,731
Maintenance, repairs and upgrades	25,049	86,115	111,164
Instrument calibration	850	-	850
Power purchased	-	5,341,472	5,341,472
Street lighting	-	17,629	17,629
Distribution	-	8,483	8,483
Engineering	66,183	-	66,183
Testing	15,723	6,083	21,806
Capital outlays	810	-	810
Depreciation	529,741	97,017	626,758
Total operating expenses	\$ 2,790,540	\$ 6,486,240	\$ 9,276,780
Operating income (loss)	\$ (187,566)	\$ 433,695	\$ 246,129
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	\$ 5,041	\$ 7,563	\$ 12,604
Miscellaneous	1,421	540	1,961
Total nonoperating revenues (expenses)	\$ 6,462	\$ 8,103	\$ 14,565
Change in net position	\$ (181,104)	\$ 441,798	\$ 260,694
Total net position - beginning	9,997,323	2,685,920	12,683,243
Total net position - ending	\$ 9,816,219	\$ 3,127,718	\$ 12,943,937

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



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

	Enterprise Fund		
	Water and Sewer	Electric	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 2,596,616	\$ 6,999,422	\$ 9,596,038
Payments to suppliers	(927,036)	(6,013,591)	(6,940,627)
Payments to and for employees	(1,325,879)	(692,231)	(2,018,110)
Net cash provided by (used for) operating activities	\$ 343,701	\$ 293,600	\$ 637,301
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to utility plant	\$ (134,770)	\$ (23,838)	\$ (158,608)
Proceeds from the sale of surplus	1,421	540	1,961
Principal payments on general obligation and revenue bonds	(132,037)	-	(132,037)
Capital contributions	60,660	-	60,660
Net cash provided by (used for) capital and related financing activities	\$ (204,726)	\$ (23,298)	\$ (228,024)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	\$ 3,526	\$ 6,001	\$ 9,527
Net cash provided by (used for) investing activities	\$ 3,526	\$ 6,001	\$ 9,527
Net increase (decrease) in cash and cash equivalents	\$ 142,501	\$ 276,303	\$ 418,804
Cash and cash equivalents - beginning	2,263,429	2,343,415	4,606,844
Cash and cash equivalents - ending (including restricted of \$288,757)	\$ 2,405,930	\$ 2,619,718	\$ 5,025,648
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (187,566)	\$ 433,695	\$ 246,129
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 529,741	\$ 97,017	\$ 626,758
(Increase) decrease in accounts receivable	(9,658)	73,602	63,944
(Increase) decrease in deferred outflows of resources	(105,438)	(61,636)	(167,074)
(Increase) decrease in prepaid items	-	(6,001)	(6,001)
Increase (decrease) in customer deposits	3,300	5,885	9,185
Increase (decrease) in accounts payable	24,496	(343,805)	(319,309)
Increase (decrease) in accrued wages	948	(916)	32
Increase (decrease) in compensated absences	(16,807)	2,266	(14,541)
Increase (decrease) in net pension liability	145,785	108,693	254,478
Increase (decrease) in deferred inflows of resources	(41,100)	(15,200)	(56,300)
Total adjustments	\$ 531,267	\$ (140,095)	\$ 391,172
Net cash provided by (used for) operating activities	\$ 343,701	\$ 293,600	\$ 637,301

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

TOWN OF RICHLANDS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AT JUNE 30, 2019

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**Note 1-Summary of Significant Accounting Policies:**

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

A. Financial reporting entity:

The Town is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. 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.

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

The Statement of 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*.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation:

Budgetary Comparison Schedules demonstrate compliance with the adopted budget, which 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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

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 other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

The Town reports the following major proprietary funds:

Proprietary funds account for operations that are financed in a manner similar to private business enterprises. The proprietary funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary funds consist of enterprise funds.

The Town operates a sewage collection and treatment system and a water distribution system. The activities of the systems are accounted for in the water and sewer fund.

The Town operates an electric distribution system. The activities of the system are accounted for in the electric fund.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:

1. Cash and Cash Equivalents

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

2. Prepaid Expenses

Prepaid expenses are for payments made by the Town in the current fiscal year to provide services occurring in the subsequent fiscal year.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All other outstanding balances between funds are "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

4. Allowance for Uncollectible Accounts

For the General Fund, the allowance amounted to approximately \$12,130 for property taxes, \$12,106 for garbage billings, and \$89,263 for EMS billings at June 30, 2019. For the Proprietary Funds, the allowance amounted to approximately \$23,056 for water and sewer billings and \$64,683 for electric billings at June 30, 2019.

5. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 31st. Taxes are payable in December of the following fiscal year. The Town bills and collects its own property taxes.

6. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:  
 (Continued)

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Plant, equipment and system	10-50
Infrastructure	20-25
Machinery and equipment	3-20

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:  
(Continued)

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) 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 plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has 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 and prepaid tax amounts and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid amounts are reported as deferred inflows of resources. 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.

10. Long-Term Obligations

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

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

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:  
(Continued)

11. 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 Retirement Plan's and the additions to/deductions from the Town 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.

12. Other Postemployment Benefits (OPEB) - Line of Duty Act Program

For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan'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.

13. 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.

14. 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.



**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:  
(Continued)

15. Concentration of Credit Risk

The Town has a credit risk associated with water, sewer, and electric fund accounts receivable due to geographic proximity of the Town's customers. The risk is mitigated by the large number of customers and relatively low individual balances.

16. Fund Balance

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 2-Stewardship, Compliance, and Accountability:**

A. Budgetary information

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

1. The Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Town Council can revise the appropriation for each category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. 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 applicable appropriations, is not part of the Town's accounting system.

B. Excess of expenditures over appropriations

The general fund had expenditures in excess of appropriations as measured at the fund basis level.

c. Deficit fund equity

At June 30, 2019, there were no funds with deficit fund equity.

**Note 3-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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

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**Note 3-Deposits and Investments: (Continued)**Investments:

Statutes authorize local governments and other public bodies 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, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The investments, as reported in the financial statements as of June 30, 2019, consist of non-negotiable certificates of deposit with original maturity dates of 12 months and have a balance of \$542,030 at year end.

**Note 4-Due from Other Governmental Units:**

The following amounts represent receivables from other governments at year-end:

	General Fund	Water and Sewer Fund
<b><u>Local Government:</u></b>		
Tazewell County Public Service Authority	\$ -	\$ 1,063,990
<b><u>Commonwealth of Virginia:</u></b>		
Non-categorical aid	555	-
State sales tax	67,881	-
<b><u>Federal Government:</u></b>		
Categorical aid	18,513	-
	<hr/>	<hr/>
Total	\$ 86,949	\$ 1,063,990
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

Note 5-Long-Term Obligations:Governmental Activities Obligations:

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

	<u>Balance July 1, 2018</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2019</u>
Capital lease	\$ -	\$ 21,780	\$ (7,260)	\$ 14,520
Compensated absences	268,117	239,526	(201,088)	306,555
Net pension liability	4,740,327	726,358	(1,014,893)	4,451,792
Net OPEB liability	691,000	367,000	(173,000)	885,000
Total	<u>\$ 5,699,444</u>	<u>\$ 1,354,664</u>	<u>\$ (1,396,241)</u>	<u>\$ 5,657,867</u>

## Details of long-term obligations:

<u>Type/ Project</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Other Obligations:						
Capital lease	0.00%	Nov-18	2021	\$ 21,780	\$ 14,520	\$ 7,620
Compensated Absences	n/a	n/a	n/a	n/a	306,555	229,916
Net pension liability	n/a	n/a	n/a	n/a	4,451,792	-
Net OPEB liability	n/a	n/a	n/a	n/a	885,000	-
Total Other Obligations					<u>\$ 5,657,867</u>	<u>\$ 237,536</u>
Total Long-term obligations					<u>\$ 5,657,867</u>	<u>\$ 237,536</u>

Other obligations are typically liquidated by the general fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

Note 5-Long-Term Obligations: (Continued)Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2019.

	<u>Balance July 1, 2018</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2019</u>
Direct borrowings and placements:				
GO and revenue bonds	\$ 1,588,315	\$ -	\$ (87,194)	\$ 1,501,121
Revenue bond	605,389	-	(44,843)	560,546
Compensated absences	136,010	87,467	(102,008)	121,469
Net pension liability	<u>2,132,162</u>	<u>655,771</u>	<u>(401,293)</u>	<u>2,386,640</u>
Total	<u>\$ 4,461,876</u>	<u>\$743,238</u>	<u>\$ (635,338)</u>	<u>\$ 4,569,776</u>

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

<u>Year Ending June 30,</u>	<u>Direct Borrowings and Placements</u>			
	<u>GO and Revenue Bonds</u>		<u>Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 87,195	\$ -	\$ 44,844	\$ -
2021	87,195	-	44,844	-
2022	87,195	-	44,844	-
2023	87,195	-	44,844	-
2024	87,195	-	44,844	-
2025-2029	435,973	-	224,218	-
2030-2034	418,473	-	112,108	-
2035-2037	<u>210,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,501,121</u>	<u>\$ -</u>	<u>\$ 560,546</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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Note 5-Long-Term Obligations: (Continued)Business-type Activities Obligations: (Continued)Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bond:						
Wastewater Series 2010	0.00%	2010	2024	\$ 1,121,250	\$ 560,546	\$ 44,844
General Obligation and Revenue Bonds:						
Series 2000	0.00%	2000	2031	175,000	70,000	5,834
Series 2005	0.00%	2005	2037	2,002,799	1,168,299	66,760
Series 2006	0.00%	2006	2037	438,037	262,822	14,601
Total Direct Borrowings and Placements					<u>\$ 2,061,667</u>	<u>\$ 132,039</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 121,469	\$ 91,102
Net Pension Liability	n/a	n/a	n/a	n/a	2,386,640	-
Total other obligations					<u>\$ 2,508,109</u>	<u>\$ 91,102</u>
Total long-term obligations					<u><u>\$ 4,569,776</u></u>	<u><u>\$ 223,141</u></u>

Revenue bonds are secured by revenue of the water/sewer fund.

Other obligations of the electric and water/sewer fund are typically liquidated by those funds.

The Town's general obligation bonds are subject to the State intercept program under which State funds may be withheld and remitted to bond holders upon the event of default.

In the event of default, outstanding amounts on bonds (all types) may become due and payable at the option of the bondholder(s).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

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**Note 6-Capital Lease:**

The Town has entered into a capital lease for the purchase of a Stryker Flex Power Pro Ambulance Cot and Stair-Pro Model 6252. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

Stryker Flex Power Pro Ambulance Cot	\$ 18,457
Accumulated Depreciation	(2,245)
Net Book Value of Capital Asset	<u>\$ 16,212</u>

The Stair-Pro Model 6252 did not meet the Town's capitalization threshold, therefore it was not capitalized.

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2020	\$ 7,260
2021	7,260
Total minimum lease payments	\$ 14,520
Less: amount representing interest	-
Present value of future minimum lease payments	<u>\$ 14,520</u>

**Note 7-Pension Plan:*****Plan Description***

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by a 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.

**Note 7-Pension Plan: (Continued)**

***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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 7-Pension Plan: (Continued)***Average Final Compensation and Service Retirement Multiplier*

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

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

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

*Employees Covered by Benefit Terms*

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	28
Inactive members:	
Vested inactive members	3
Non-vested inactive members	10
Inactive members active elsewhere in VRS	<u>5</u>
Total inactive members	18
Active members	<u>73</u>
Total covered employees	<u><u>119</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 7-Pension Plan: (Continued)**

*Contributions*

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

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 21.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$601,271 and \$573,053 for the years ended June 30, 2019 and June 30, 2018, respectively.

*Net Pension Liability*

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

*Actuarial Assumptions - General Employees*

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

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 7-Pension Plan: (Continued)**

***Actuarial Assumptions - General Employees (Continued)***

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 7-Pension Plan: (Continued)*****Actuarial Assumptions - General Employees (Continued)***

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

**Largest 10 - Non-Hazardous Duty:**

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

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

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

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

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

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

**Note 7-Pension Plan: (Continued)**

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

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

**Mortality rates:**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

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**Note 7-Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*

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

## Largest 10 - Hazardous Duty:

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

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

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

**Note 7-Pension Plan: (Continued)*****Long-Term Expected Rate of Return***

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

**Note 7-Pension Plan: (Continued)*****Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 12,738,522	\$ 5,866,033	\$ 6,872,489
Changes for the year:			
Service cost	\$ 243,691	\$ -	\$ 243,691
Interest	868,052	-	868,052
Differences between expected and actual experience	(9,905)	-	(9,905)
Contributions - employer	-	573,053	(573,053)
Contributions - employee	-	132,681	(132,681)
Net investment income	-	434,183	(434,183)
Benefit payments, including refunds of employees contributions	(675,568)	(675,568)	-
Administrative expenses	-	(3,629)	3,629
Other changes	-	(393)	393
Net changes	\$ 426,270	\$ 460,327	\$ (34,057)
Balances at June 30, 2018	\$ 13,164,792	\$ 6,326,360	\$ 6,838,432



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

**Note 7-Pension Plan: (Continued)***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town Net Pension Liability	\$ 8,471,955	\$ 6,838,432	\$ 5,469,767

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

For the year ended June 30, 2019, the Town recognized pension expense of \$447,406.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 180,033	\$ 251,798
Changes in proportion and differences between employer contributions and proportionate share of contributions	202,937	202,937
Changes of assumptions	-	99,550
Net difference between projected and actual earnings on pension plan investments	-	58,437
Employer contributions subsequent to the measurement date	601,271	-
Total	\$ 984,241	\$ 612,722

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 7-Pension Plan: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

\$601,271 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2020	\$	(58,323)
2021		(64,801)
2022		(67,820)
2023		(38,039)
Thereafter		(769)

***Pension Plan Data***

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

**Note 8-Line of Duty Act (LODA) Program:*****Plan Description***

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

**Note 8-Line of Duty Act (LODA) Program: (Continued)**

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

***Eligible Employees***

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

***Benefit Amounts***

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

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

***Contributions***

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$38,817 and \$30,071 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

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**Note 8-Line of Duty Act (LODA) Program: (Continued)*****LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB***

At June 30, 2019, the entity reported a liability of \$885,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.2823% as compared to 0.2630% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$72,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 127,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	2,000
Change in assumptions	-	102,000
Change in proportion	49,000	40,000
Employer contributions subsequent to the measurement date	<u>38,817</u>	<u>-</u>
Total	<u>\$ 214,817</u>	<u>\$ 144,000</u>

**Note 8-Line of Duty Act (LODA) Program: (Continued)*****LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)***

\$38,817 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	3,000
2021		3,000
2022		3,000
2023		4,000
2024		4,000
Thereafter		15,000

***Actuarial Assumptions***

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

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, net of OPEB plan investment expenses, including inflation*

**Note 8-Line of Duty Act (LODA) Program: (Continued)*****Actuarial Assumptions: (Continued)***

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

**Mortality Rates - Largest Ten Locality Employers with Public Safety Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 8-Line of Duty Act (LODA) Program: (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 8-Line of Duty Act (LODA) Program: (Continued)*****Net LODA OPEB Liability***

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

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

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

***Long-Term Expected Rate of Return***

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

***Discount Rate***

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

**Note 8-Line of Duty Act (LODA) Program: (Continued)*****Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate***

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

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 1,014,000	\$ 885,000	\$ 781,000

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

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

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 754,000	\$ 885,000	\$ 1,049,000

***LODA OPEB Fiduciary Net Position***

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 9-Unearned Revenue:**

Unearned 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. Unearned revenue totaling \$985,597 is comprised of the following:

Lease Revenue - Lease revenue proceeds received in advance totaled \$15,598 at year end.

Miscellaneous - Funding received in advance and carried over for use in the next fiscal year from Department of Transportation totaling \$966,999.

**Note 10-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 under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$110,838 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$85,504.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$25,334.

**Note 11-Restricted Fund Balance/Net Position:**

Fund balance and net position were restricted for the following purposes at year end:

<u>Purpose</u>	<u>Amount</u>
Big Creek payments	\$ 62,231
Public Safety Funds	129,608
Restricted Donations	77,553
Asset Forfeiture/Policing Funds	45,932
	<hr/>
Total	\$ 315,324
	<hr/>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

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**Note 12-Capital Assets:**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,357,395	\$ -	\$ -	\$ 1,357,395
Construction in progress	-	133,283	-	133,283
Total capital assets not being depreciated	<u>\$ 1,357,395</u>	<u>\$ 133,283</u>	<u>\$ -</u>	<u>\$ 1,490,678</u>
Capital assets, being depreciated:				
Buildings and system	\$ 3,964,152	\$ 3,436	\$ -	\$ 3,967,588
Infrastructure	9,451,566	9,479	-	9,461,045
Machinery and equipment	6,830,114	309,569	(118,331)	7,021,352
Total capital assets being depreciated	<u>\$ 20,245,832</u>	<u>\$ 322,484</u>	<u>\$ (118,331)</u>	<u>\$ 20,449,985</u>
Accumulated depreciation:				
Buildings and system	\$ (1,622,924)	\$ (121,367)	\$ -	\$ (1,744,291)
Infrastructure	(3,345,118)	(246,942)	-	(3,592,060)
Machinery and equipment	(6,102,595)	(226,046)	118,331	(6,210,310)
Total accumulated depreciation	<u>\$ (11,070,637)</u>	<u>\$ (594,355)</u>	<u>\$ 118,331</u>	<u>\$ (11,546,661)</u>
Total capital assets being depreciated, net	<u>\$ 9,175,195</u>	<u>\$ (271,871)</u>	<u>\$ -</u>	<u>\$ 8,903,324</u>
Governmental activities capital assets, net	<u>\$ 10,532,590</u>	<u>\$ (138,588)</u>	<u>\$ -</u>	<u>\$ 10,394,002</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019**Note 12-Capital Assets: (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 517,913	\$ -	\$ -	\$ 517,913
Construction in progress	26,959	53,420	-	80,379
Total capital assets not being depreciated	<u>\$ 544,872</u>	<u>53,420</u>	<u>\$ -</u>	<u>\$ 598,292</u>
Capital assets, being depreciated:				
Utility plant and buildings in service	\$ 22,295,875	\$ 17,959	\$ -	\$ 22,313,834
Machinery and equipment	2,662,506	87,229	-	2,749,735
Total capital assets being depreciated	<u>\$ 24,958,381</u>	<u>\$ 105,188</u>	<u>\$ -</u>	<u>\$ 25,063,569</u>
Accumulated depreciation:				
Utility plant and buildings in service	\$ (12,943,303)	\$ (478,108)	\$ -	\$ (13,421,411)
Machinery and equipment	(1,589,747)	(148,650)	-	(1,738,397)
Total accumulated depreciation	<u>\$ (14,533,050)</u>	<u>\$ (626,758)</u>	<u>\$ -</u>	<u>\$ (15,159,808)</u>
Total capital assets being depreciated, net	<u>\$ 10,425,331</u>	<u>\$ (521,570)</u>	<u>\$ -</u>	<u>\$ 9,903,761</u>
Business-type activities capital assets, net	<u>\$ 10,970,203</u>	<u>\$ (468,150)</u>	<u>\$ -</u>	<u>\$ 10,502,053</u>

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

**Governmental activities:**

General government administration	\$ 42,768
Public safety	169,419
Public works	309,012
Parks and recreation	73,156
Total depreciation expense - governmental activities	<u>\$ 594,355</u>

**Business-type activities:**

Water and sewer	\$ 529,741
Electric	97,017
Total depreciation expense - business-type activities	<u>\$ 626,758</u>

**Note 13-Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of property, general liability and auto insurance with the Virginia Municipal Liability Pool (Pool). Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Pool contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 14-Contingencies:**

Grant funds are subject to audit by the funding agencies to determine compliance with various grant requirements. Should any expenditure be disallowed, they must be refunded to the granting agencies. Any liability for reimbursement, which may arise as the result of these audits is believed to be immaterial.

**Note 15-Electric Power Agreement:**

The Town is a participant in American Municipal Power-Ohio, Inc. (AMP-Ohio), a nonprofit corporation, organized to own and operate facilities for the generation, transmission, and distribution of electrical power. Other participants in AMP-Ohio are political subdivisions which operate electric systems in Ohio, Michigan, Pennsylvania, Virginia, and West Virginia. As a participant, the Town has agreed to purchase specified kilowatts of power at AMP-Ohio's incurred cost through December 31, 2057. In accordance with this agreement the Town remits funds to an escrow account for the payment of power bills.

**Note 16-Pledged Revenues:**

The Town has pledged future water and sewer customer revenues to repay water and wastewater revenue bonds. Proceeds from the bonds provided financing for the construction of the water and sewer systems.

**Note 17-Electric Rate Stabilization Plan:**

The Town entered into a rate stabilization plan with American Municipal Power, Inc. to reduce the effects of volatility in energy markets. As of June 30, 2019, the Town carried a balance of \$288,094 in an escrow account maintained for the Town's benefit. This amount has been reported in the financial statements as a prepaid item.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AT JUNE 30, 2019

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**Note 18-Service Agreements:**

On September 3, 2003, the Town and Tazewell County Public Service Authority (TCPSA) entered into an agreement to share the costs of construction and operation of a water transmission facility known as Kent's Ridge Road Project. The project was financed by two thirty year, interest-free loans from the Virginia Resources Authority (VRA). The loans are secured by a pledge of revenues from the Town's water and wastewater systems and by a pledge of the Town's full faith and credit. Also, County of Tazewell, Virginia has undertaken, to the extent permitted by law, a non-binding but moral obligation to pay such amounts as may be needed, with respect to the notes, for the payment of principal and interest pursuant to the terms of the agreement. The Town has recorded an amount due from the TCPSA of \$1,063,990 at year end for their share of debt service payments.

The Town has also entered into separate agreements with the TCPSA and Town of Cedar Bluff, Virginia to provide water treatment. The agreements allocate operating costs and the cost of construction based on usage (or an estimate thereof).

The Town; Town of Cedar Bluff, Virginia; and Tazewell County Public Service Authority (TCPSA) entered into an agreement dated March 15, 1989, whereby each of the parties would participate in the allocation of capacity and costs with respect to the design, construction, operation and maintenance of a regional wastewater treatment facility. The Town is responsible for the operation of the facility. The Town is also responsible for budgeting and financing subject to agreed upon procedures by the three participants. Monthly user charges are paid by the participants for their share of the cost of the project and are recognized as charges for services in the accompanying financial statements.

Payments received by the Town during the fiscal year for the aforementioned agreements are as follow:

<u>Entity</u>	<u>Amounts</u>
Town of Cedar Bluff	\$ 196,176
Tazewell County PSA	709,632
Tazewell County PSA - loan payments	60,660
Total	<u>\$ 966,468</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AT JUNE 30, 2019

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**Note 19-Adoption of Accounting Principles:**

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

**Note 20-Upcoming Pronouncements:**

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

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

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

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, 2018.

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 December 15, 2020.

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

## Required Supplementary Information



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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 482,250	\$ 482,250	\$ 466,610	\$ (15,640)
Other local taxes	2,162,400	2,162,400	2,207,338	44,938
Permits, privilege fees, and regulatory licenses	1,500	1,500	1,145	(355)
Fines and forfeitures	83,100	83,100	49,339	(33,761)
Revenue from the use of money and property	4,000	4,000	10,125	6,125
Charges for services	1,198,100	1,198,100	1,240,329	42,229
Miscellaneous	24,500	24,500	102,805	78,305
Recovered costs	73,500	73,500	89,681	16,181
Intergovernmental	1,310,404	1,310,404	1,063,613	(246,791)
Total revenues	<u>\$ 5,339,754</u>	<u>\$ 5,339,754</u>	<u>\$ 5,230,985</u>	<u>\$ (108,769)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 289,858	\$ 289,858	\$ 295,268	\$ (5,410)
Public safety	3,015,059	3,015,059	2,806,069	208,990
Public works	1,543,555	1,543,555	1,483,770	59,785
Parks, recreation, and cultural	408,704	408,704	462,720	(54,016)
Community development	78,165	78,165	54,309	23,856
Capital projects	152,500	152,500	449,456	(296,956)
Debt service:				
Principal retirement	-	-	7,260	(7,260)
Total expenditures	<u>\$ 5,487,841</u>	<u>\$ 5,487,841</u>	<u>\$ 5,558,852</u>	<u>\$ (71,011)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (148,087)</u>	<u>\$ (148,087)</u>	<u>\$ (327,867)</u>	<u>\$ (179,780)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of capital lease	\$ -	\$ -	\$ 21,780	\$ 21,780
Sale of capital assets	10,000	10,000	30,416	20,416
Total other financing sources (uses)	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 52,196</u>	<u>\$ 42,196</u>
Net change in fund balances	<u>\$ (138,087)</u>	<u>\$ (138,087)</u>	<u>\$ (275,671)</u>	<u>\$ (137,584)</u>
Fund balances - beginning	138,087	138,087	453,523	315,436
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,852</u>	<u>\$ 177,852</u>

Town of Richlands, Virginia  
Pension Plan  
Schedule of Changes in Net Pension Liability and Related Ratios  
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 243,691	\$ 254,948	\$ 248,209	\$ 233,924	\$ 228,999
Interest	868,052	856,598	794,150	790,952	759,699
Differences between expected and actual experience	(9,905)	(186,039)	367,567	(408,168)	-
Changes in assumptions	-	(156,273)	-	-	-
Benefit payments, including refunds of employee contributions	(675,568)	(535,639)	(499,997)	(642,038)	(442,432)
<b>Net change in total pension liability</b>	<b>\$ 426,270</b>	<b>\$ 233,595</b>	<b>\$ 909,929</b>	<b>\$ (25,330)</b>	<b>\$ 546,266</b>
<b>Total pension liability - beginning</b>	<b>12,738,522</b>	<b>12,504,927</b>	<b>11,594,998</b>	<b>11,620,328</b>	<b>11,074,062</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 13,164,792</b>	<b>\$ 12,738,522</b>	<b>\$ 12,504,927</b>	<b>\$ 11,594,998</b>	<b>\$ 11,620,328</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 573,053	\$ 548,986	\$ 592,036	\$ 556,985	\$ 499,158
Contributions - employee	132,681	128,023	126,916	120,115	119,403
Net investment income	434,183	633,234	92,686	205,782	599,476
Benefit payments, including refunds of employee contributions	(675,568)	(535,639)	(499,997)	(642,038)	(442,432)
Administrative expense	(3,629)	(3,447)	(2,781)	(2,752)	(3,098)
Other	(393)	(573)	(37)	(46)	32
<b>Net change in plan fiduciary net position</b>	<b>\$ 460,327</b>	<b>\$ 770,584</b>	<b>\$ 308,823</b>	<b>\$ 238,046</b>	<b>\$ 772,539</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,866,033</b>	<b>5,095,449</b>	<b>4,786,626</b>	<b>4,548,580</b>	<b>3,776,041</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,326,360</b>	<b>\$ 5,866,033</b>	<b>\$ 5,095,449</b>	<b>\$ 4,786,626</b>	<b>\$ 4,548,580</b>
<b>Town's net pension liability - ending (a) - (b)</b>	<b>\$ 6,838,432</b>	<b>\$ 6,872,489</b>	<b>\$ 7,409,478</b>	<b>\$ 6,808,372</b>	<b>\$ 7,071,748</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>48.06%</b>	<b>46.05%</b>	<b>40.75%</b>	<b>41.28%</b>	<b>39.14%</b>
<b>Covered payroll</b>	<b>\$ 2,726,708</b>	<b>\$ 2,611,141</b>	<b>\$ 2,594,810</b>	<b>\$ 2,433,045</b>	<b>\$ 2,391,408</b>
<b>Town's net pension liability as a percentage of covered payroll</b>	<b>250.79%</b>	<b>263.20%</b>	<b>285.55%</b>	<b>279.83%</b>	<b>295.71%</b>

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.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 601,271	\$ 601,271	\$ -	\$ 2,893,205	20.78%
2018	573,053	573,053	-	2,726,708	21.02%
2017	548,986	548,986	-	2,611,141	21.02%
2016	592,036	592,036	-	2,594,810	22.82%
2015	556,985	556,985	-	2,433,045	22.89%
2014	499,326	499,326	-	2,391,408	20.88%
2013	496,596	496,596	-	2,378,333	20.88%
2012	554,563	554,563	-	2,349,843	23.60%
2011	558,180	558,180	-	2,365,170	23.60%
2010	49,485	49,485	-	209,683	23.60%

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

Town of Richlands, Virginia  
Pension Plan  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

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

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

**Largest 10 - Non-Hazardous Duty:**

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

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

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

**Largest 10 - Hazardous Duty:**

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

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

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

Town of Richlands, Virginia  
 Other Postemployment Benefits - Line of Duty Act Program (LODA)  
 Schedule of Employer's Share of Net LODA OPEB Liability  
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2018	0.2823% \$	885,000 \$	1,369,285	64.63%	0.60%
2017	0.2630%	691,000	1,312,173	52.66%	1.30%

\*

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

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

Town of Richlands, Virginia  
 Other Postemployment Benefits - Line of Duty Act Program (LODA)  
 Schedule of Employer Contributions  
 For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2019	\$ 38,817	\$ 38,817	\$ -	\$ 1,426,561	2.72%
2018	30,071	30,071	-	1,369,285	2.20%
2017	28,369	28,369	-	1,312,173	2.16%

\*

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

FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions. Schedule is intended to show information for 10 years. Information is only available for years after FY 2017. However, additional years will be included as they become available.

## Other Supplementary Information

## Supporting Schedules



Town of Richlands, Virginia  
 Other Postemployment Benefits - Line of Duty Act Program (LODA)  
 Notes to Required Supplementary Information  
 For the Year Ended June 30, 2019

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

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

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

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

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

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

Town of Richlands, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 435,000	\$ 435,000	\$ 395,392	\$ (39,608)
Real and personal public service corporation taxes	31,250	31,250	32,541	1,291
Mobile home taxes	12,000	12,000	13,935	1,935
Penalties and Interest	4,000	4,000	24,742	20,742
Total general property taxes	<u>\$ 482,250</u>	<u>\$ 482,250</u>	<u>\$ 466,610</u>	<u>\$ (15,640)</u>
Other local taxes:				
Local sales and use taxes	\$ 390,000	\$ 390,000	\$ 384,909	\$ (5,091)
Consumers utility tax	236,400	236,400	234,560	(1,840)
Local consumption tax	22,000	22,000	20,276	(1,724)
Business license taxes	450,000	450,000	460,171	10,171
Motor vehicle licenses	34,000	34,000	34,130	130
Bank stock taxes	180,000	180,000	207,839	27,839
Tobacco taxes	80,000	80,000	90,308	10,308
Meals taxes	770,000	770,000	775,145	5,145
Total other local taxes	<u>\$ 2,162,400</u>	<u>\$ 2,162,400</u>	<u>\$ 2,207,338</u>	<u>\$ 44,938</u>
Permits, privilege fees, and regulatory licenses:				
Zoning permits	\$ 1,500	\$ 1,500	\$ 1,145	\$ (355)
Fines and forfeitures:				
Court fines and forfeitures	\$ 83,000	\$ 83,000	\$ 42,257	\$ (40,743)
Asset forfeitures	-	-	2,199	2,199
Parking violations	100	100	50	(50)
E-citation fees	-	-	4,833	4,833
Total fines and forfeitures	<u>\$ 83,100</u>	<u>\$ 83,100</u>	<u>\$ 49,339</u>	<u>\$ (33,761)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 4,000	\$ 4,000	\$ 6,305	\$ 2,305
Revenue from use of property	-	-	3,820	3,820
Total revenue from use of money and property	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 10,125</u>	<u>\$ 6,125</u>
Charges for services:				
Contract work - Streets	\$ 5,000	\$ 5,000	\$ 7,299	\$ 2,299
Rescue Squad billings	600,000	600,000	613,127	13,127
Swimming pool fees	15,000	15,000	17,177	2,177
Concession collections	30,000	30,000	20,592	(9,408)
Basketball fees	5,000	5,000	7,859	2,859
Indoor tennis fees	500	500	10	(490)
Outdoor tennis fees	500	500	140	(360)
Membership fees	-	-	615	615
Room rental	5,000	5,000	4,200	(800)
Miscellaneous recreation fees	55,000	55,000	8,914	(46,086)
Convenience fees	8,500	8,500	12,033	3,533
Garbage collections	473,600	473,600	529,718	56,118
Farmer's market revenue	-	-	18,645	18,645
Total charges for services	<u>\$ 1,198,100</u>	<u>\$ 1,198,100</u>	<u>\$ 1,240,329</u>	<u>\$ 42,229</u>

## Statistical Information

Town of Richlands, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (continued)</b>				
Revenue from local sources: (continued)				
Miscellaneous:				
Miscellaneous	\$ 8,000	\$ 8,000	\$ 17,937	\$ 9,937
Gifts and donations	-	-	11,019	11,019
Gifts and donations - Fire	2,500	2,500	10,723	8,223
Gifts and donations - Recreation	6,000	6,000	42,150	36,150
Gifts and donations - Police	8,000	8,000	11,091	3,091
Gifts and donations - Rescue	-	-	9,885	9,885
Total miscellaneous	\$ 24,500	\$ 24,500	\$ 102,805	\$ 78,305
Recovered costs:				
County of Tazewell - fire program	\$ 70,500	\$ 70,500	\$ 70,500	\$ -
Returned check fees	2,000	2,000	2,070	70
Restitution	1,000	1,000	17,111	16,111
Total recovered costs	\$ 73,500	\$ 73,500	\$ 89,681	\$ 16,181
Total revenue from local sources	\$ 4,029,350	\$ 4,029,350	\$ 4,167,372	\$ 138,022
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,500	\$ 2,500	\$ 2,355	\$ (145)
Motor vehicles carrier's tax	2,000	2,000	3,134	1,134
Railroad rolling stock tax	-	-	10,026	10,026
Total noncategorical aid	\$ 4,500	\$ 4,500	\$ 15,515	\$ 11,015
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 2,700	\$ 2,700	\$ 2,950	\$ 250
Street maintenance	943,114	943,114	648,719	(294,395)
Law enforcement grant	138,003	138,003	143,108	5,105
Drug enforcement	76,087	76,087	76,087	-
EMS grants	112,000	112,000	100,722	(11,278)
Fire grants	-	-	20,155	20,155
Asset forfeitures	-	-	4,607	4,607
Other state revenue	16,000	16,000	7,589	(8,411)
Total categorical aid	\$ 1,287,904	\$ 1,287,904	\$ 1,003,937	\$ (283,967)
Total revenue from the Commonwealth	\$ 1,292,404	\$ 1,292,404	\$ 1,019,452	\$ (272,952)
Revenue from the federal government:				
Categorical aid:				
Police grants	\$ -	\$ -	\$ 26,857	\$ 26,857
High intensity drug trafficking areas grant	18,000	18,000	17,304	(696)
Total categorical aid	\$ 18,000	\$ 18,000	\$ 44,161	\$ 26,161
Total revenue from the federal government	\$ 18,000	\$ 18,000	\$ 44,161	\$ 26,161
Total General Fund	\$ 5,339,754	\$ 5,339,754	\$ 5,230,985	\$ (108,769)

Town of Richlands, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2019

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
General and financial administration:				
Town Council	\$ 21,307	\$ 21,307	\$ 19,415	\$ 1,892
Administration	268,551	268,551	275,853	(7,302)
Total general government administration	<u>\$ 289,858</u>	<u>\$ 289,858</u>	<u>\$ 295,268</u>	<u>\$ (5,410)</u>
 Public safety:				
Law enforcement and traffic control:				
Police grants	\$ -	\$ -	\$ 16,667	\$ (16,667)
Drug task force	94,087	94,087	50,047	44,040
Police department	1,951,227	1,951,227	1,832,732	118,495
Total law enforcement and traffic control	<u>\$ 2,045,314</u>	<u>\$ 2,045,314</u>	<u>\$ 1,899,446</u>	<u>\$ 145,868</u>
 Fire and rescue services:				
Fire Department	\$ 223,273	\$ 223,273	\$ 135,927	\$ 87,346
Rescue Squad	746,472	746,472	770,696	(24,224)
Total fire and rescue services	<u>\$ 969,745</u>	<u>\$ 969,745</u>	<u>\$ 906,623</u>	<u>\$ 63,122</u>
 Total public safety	<u>\$ 3,015,059</u>	<u>\$ 3,015,059</u>	<u>\$ 2,806,069</u>	<u>\$ 208,990</u>
 Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,083,046	\$ 1,083,046	\$ 1,007,228	\$ 75,818
 Sanitation and waste removal:				
Refuse collection and disposal	\$ 460,509	\$ 460,509	\$ 476,542	\$ (16,033)
 Total public works	<u>\$ 1,543,555</u>	<u>\$ 1,543,555</u>	<u>\$ 1,483,770</u>	<u>\$ 59,785</u>
 Parks, recreation, and cultural:				
Cultural enrichment:				
Recreation	\$ 382,654	\$ 382,654	\$ 450,055	\$ (67,401)
 Library:				
Library	\$ 26,050	\$ 26,050	\$ 12,665	\$ 13,385
 Total parks, recreation, and cultural	<u>\$ 408,704</u>	<u>\$ 408,704</u>	<u>\$ 462,720</u>	<u>\$ (54,016)</u>

Town of Richlands, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2019

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Community development:				
Planning and community development:				
Downtown activities	\$ 78,165	\$ 78,165	\$ 54,309	\$ 23,856
Capital projects/outlays:				
Capital projects and capital outlays	\$ 152,500	\$ 152,500	\$ 449,456	\$ (296,956)
Debt service:				
Principal retirement	\$ -	\$ -	\$ 7,260	\$ (7,260)
Total General Fund	\$ 5,487,841	\$ 5,487,841	\$ 5,558,852	\$ (71,011)

Table 1

Town of Richlands, Virginia  
Government-Wide Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	General Government		Parks, Recreation, and Cultural			Interest on Long- Term Debt		Water and Sewer		Electric	Total
	Administration	Public Safety	Public Works	Recreation, and Cultural	Community Development	Term Debt	Sewer				
2009-10	\$ 517,043	\$ 2,800,286	\$ 1,406,509	\$ 349,495	\$ 141,269	\$ 17,501	\$ 2,014,444	\$ 6,156,711	\$ 13,403,258		
2010-11	271,310	2,764,620	1,544,774	390,015	206,662	16,801	2,106,703	5,833,916	13,134,801		
2011-12	270,119	2,688,745	1,636,116	382,314	38,246	11,921	2,259,778	5,227,037	12,514,276		
2012-13	290,591	2,838,354	1,551,236	391,472	129,783	9,285	2,282,333	5,291,893	12,784,947		
2013-14	285,960	2,863,825	1,500,829	354,456	58,493	7,164	2,392,826	6,743,677	14,207,230		
2014-15	269,723	2,645,744	1,595,057	343,926	52,705	4,949	2,408,886	6,094,861	13,415,851		
2015-16	292,353	2,749,662	1,719,756	379,405	27,499	2,628	2,465,129	6,005,247	13,641,679		
2016-17	333,731	2,828,938	1,773,908	377,855	25,850	3,873	2,489,894	6,091,102	13,925,151		
2017-18	235,766	2,795,730	2,200,116	403,439	30,235	226	2,719,717	6,780,758	15,165,987		
2018-19	343,375	2,764,887	1,802,564	491,984	53,940	-	2,790,540	6,486,240	14,733,530		

Table 2

Town of Richlands, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2009-10	\$ 10,020,767	\$ 1,983,278	\$ -		\$ 461,000	\$ 1,704,768	\$ 39,784	\$ 486,673	\$ -	\$ 14,696,270
2010-11	10,517,188	1,162,629	1,773,617		408,275	1,671,219	27,512	196,854	9,598	15,766,892
2011-12	9,278,334	1,331,617	245,517		434,748	1,751,238	17,868	124,600	4,081	13,188,003
2012-13	9,672,614	1,778,186	93,941		464,070	1,848,254	16,874	364,230	13,685	14,251,854
2013-14	10,035,089	1,280,498	4,607,782		469,162	1,941,856	14,050	167,513	4,057	18,520,007
2014-15	9,550,616	980,826	31,432		478,340	2,035,854	13,880	130,668	16,754	13,238,370
2015-16	9,066,108	1,319,735	1,225		467,740	2,014,265	14,016	170,664	22,046	13,075,799
2016-17	9,416,956	1,105,238	33,838		485,587	1,961,647	13,769	103,080	15,893	13,136,008
2017-18	10,185,432	1,458,570	364,500		538,056	2,044,120	16,787	61,537	4,954	14,673,956
2018-19	10,813,722	1,048,098	-		497,664	2,207,338	22,729	104,766	15,515	14,709,832



Table 3

Town of Richlands, Virginia  
General Governmental Expenditures by Function  
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (1)
2009-10	\$ 295,497	\$ 2,747,120	\$ 1,331,514	\$ 356,386	\$ 141,269	-	\$ 58,912	\$ 4,930,698
2010-11	286,319	2,615,615	1,333,176	451,633	206,662	-	86,081	4,979,486
2011-12	267,218	2,529,280	1,388,996	340,314	38,246	-	86,085	4,650,139
2012-13	254,595	2,639,835	1,297,287	349,064	129,783	-	55,364	4,725,928
2013-14	263,515	2,623,164	1,219,929	310,872	58,493	-	55,364	4,531,337
2014-15	267,560	2,535,244	1,311,842	300,353	52,705	-	55,365	4,523,069
2015-16	280,546	2,681,036	1,367,609	341,942	27,499	113,910	95,376	4,907,918
2016-17	316,937	2,631,827	1,226,139	323,389	25,850	-	92,806	4,616,948
2017-18	285,390	2,704,981	1,883,504	356,127	30,235	-	38,681	5,298,918
2018-19	295,268	2,806,069	1,483,770	462,720	54,309	-	7,260	5,109,396

(1) Excludes Capital Projects.

Table 4

Town of Richlands, Virginia  
General Governmental Revenues by Source  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes		Permits, Privilege Fees, Regulatory Licenses		Fines and Forfeitures		Revenue from the Use of Money and Property		Charges for Services		Miscellaneous		Recovered Costs		Inter- governmental		Total
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
2009-10	\$ 425,420		\$ 1,704,768		\$ 1,585		\$ 85,661		\$ 19,021		\$ 1,264,454		\$ 286,617		\$ -		\$ 1,338,364		\$ 5,125,890
2010-11	432,840		1,671,219		2,225		162,930		15,894		1,121,649		185,927		150,408		1,339,879		5,082,971
2011-12	433,863		1,751,238		2,090		50,562		11,853		1,190,198		117,765		140,780		1,373,185		5,071,534
2012-13	458,103		1,848,254		1,715		62,675		8,747		1,142,404		351,811		62,726		1,856,074		5,792,509
2013-14	460,876		1,941,856		1,270		237,281		8,938		1,116,902		158,987		63,189		1,319,989		5,309,288
2014-15	481,056		2,035,854		1,755		99,052		9,139		1,072,943		126,508		139,441		1,029,012		4,994,760
2015-16	467,433		2,014,265		1,280		107,308		9,238		1,122,305		164,755		73,104		1,343,006		5,302,694
2016-17	484,317		1,961,647		1,290		93,918		7,985		965,461		101,516		77,446		1,144,891		4,838,471
2017-18	558,985		2,044,120		1,265		66,354		8,219		1,015,274		59,575		82,917		1,818,102		5,654,811
2018-19	466,610		2,207,338		1,145		49,339		10,125		1,240,329		102,805		89,681		1,063,613		5,230,985

Table 5

Town of Richlands, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2009-10	\$ 418,224	\$ 372,689	89.11%	\$ 19,895	\$ 392,584	93.87%
2010-11	421,699	394,301	93.50%	21,144	415,445	98.52%
2011-12	424,866	392,515	92.39%	24,079	416,594	98.05%
2012-13	457,827	434,546	94.91%	18,364	452,910	98.93%
2013-14	458,280	431,776	94.22%	22,171	453,947	99.05%
2014-15	453,872	431,469	95.06%	28,133	459,602	101.26%
2015-16	455,304	426,994	93.78%	21,212	448,206	98.44%
2016-17	458,300	428,053	93.40%	27,776	455,829	99.46%
2017-18	469,457	452,063	96.29%	60,038	512,101	109.08%
2018-19	463,375	381,222	82.27%	46,711	427,933	92.35%

(1) Exclusive of penalties and interest.

(2) Delinquent taxes include only amounts that have been delinquent less than three years.

Table 6

Town of Richlands, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Public Service Corporation	Total
2009-10	\$ 250,972,225	\$ 10,417,493	\$ 261,389,718
2010-11	253,304,900	9,916,473	263,221,373
2011-12	254,672,500	10,460,117	265,132,617
2012-13	274,891,300	11,250,521	286,141,821
2013-14	274,606,600	11,818,369	286,424,969
2014-15	275,127,700	10,719,704	285,847,404
2015-16	275,640,700	11,200,407	286,841,107
2016-17	276,450,600	12,692,299	289,142,899
2017-18	276,560,400	19,530,975	296,091,375
2018-19	271,870,300	20,337,852	292,208,152

Table 7

Town of Richlands, Virginia  
Property Tax Rates  
Last Ten Fiscal Years

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<u>Fiscal Year</u>	<u>Real Estate (1)</u>
2009-10	\$ 0.16
2010-11	0.16
2011-12	0.16
2012-13	0.16
2013-14	0.16
2014-15	0.16
2015-16	0.16
2016-17	0.16
2017-18	0.16
2018-19	0.16

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009-10	5,639	\$ 261,390	\$ 3,934,684	1.51%	\$ 698
2010-11	5,823	263,221	3,567,306	1.36%	613
2011-12	5,823	265,133	3,133,236	1.18%	538
2012-13	5,823	286,142	2,714,671	0.95%	466
2013-14	5,823	286,425	2,288,371	0.80%	393
2014-15	5,823	285,847	1,849,899	0.65%	318
2015-16	5,823	286,841	1,762,704	0.61%	303
2016-17	5,823	289,143	1,675,511	0.58%	288
2017-18	5,823	296,091	1,588,315	0.54%	273
2018-19	5,265	292,208	1,501,121	0.51%	285

(1) U.S. Census Bureau.

(2) Includes all long-term general obligation bonded debt and bonded anticipation notes.  
Excludes revenue bonds, capital leases, and compensated absences.

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## COMPLIANCE SECTION

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**Compliance**



Table 9

Town of Richlands, Virginia  
Computation of Legal Debt Margin  
At June 30, 2019

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Total assessed value of taxed real property	\$ 292,208,152
Debt limit - 10 percent of total assessed value	29,220,815
Amount of debt applicable to debt limit	<u>(1,501,121)</u>
Legal debt margin	<u>\$ 27,719,694</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Richlands, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Richlands, Virginia's basic financial statements, and have issued our report thereon dated November 7, 2019.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia

November 7, 2019