

TOWN OF SHENANDOAH, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORTS

White, Withers, Masincup & Cannaday, PC

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INDEPENDENT AUDITOR'S REPORT

TO THE TOWN COUNCIL
TOWN OF SHENANDOAH, 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 Shenandoah, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provides 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 Shenandoah, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the exhibits listed as Required Supplementary Information in the table of contents 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information listed as Other Supplementary Information in the table of contents is presented for purposes of additional analysis is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

White, Withers, Masimac & Cannaday, P.C.

Staunton, Virginia
March 11, 2019

White, Withers, Masincup & Cannaday, PC

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

TO THE TOWN COUNCIL
TOWN OF SHENANDOAH, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Shenandoah, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 11, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies. The Town is a small municipality with a limited number of staff and therefore, as with many small Town's, has inadequate internal control over the preparation of the annual financial report with full note disclosures required to be in conformity with the U.S. Generally Accepted Accounting Principles. The Town has determined the costs to eliminate this deficiency exceed the benefits, and thus have engaged the auditing firm to assist in this process.

Compliance and Other Matters

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

Town's Response to Findings

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

Purpose of this Report

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

White, Withers, Masincul + Cannaday, P.C.

Staunton, Virginia
March 11, 2019

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
As of June 30, 2018

	Governmental Activities	Business- Type Activities	Total Primary Government
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 550 048	\$ 428 526	\$ 978 574
Restricted cash and cash equivalents	109 460	501 322	610 782
Receivables (Net of allowances for uncollectibles of \$78,768)			
Real estate and personal property taxes	46 790	-	46 790
Other local revenues	43 695	-	43 695
Accounts, billed	-	33 471	33 471
Accounts, unbilled	-	54 991	54 991
Other	-	1 300	1 300
Due from other governments	10 839	-	10 839
Total Current Assets	\$ 760 832	\$ 1 019 610	\$ 1 780 442
Noncurrent Assets:			
Capital assets, net	\$ 1 162 285	\$ 4 080 615	\$ 5 242 900
Total Noncurrent Assets	\$ 1 162 285	\$ 4 080 615	\$ 5 242 900
Total Assets	\$ 1 923 117	\$ 5 100 225	\$ 7 023 342
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	\$ 43 837	\$ 20 808	\$ 64 645
Deferred outflows related to OPEB	7 148	3 408	10 556
Total Deferred Outflows of Resources	\$ 50 985	\$ 24 216	\$ 75 201
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 92 501	\$ 5 427	\$ 97 928
Accrued payroll and payroll liabilities	9 339	3 828	13 167
Accrued interest payable	249	4 313	4 562
Notes and bonds payable, current portion	26 648	49 828	76 476
Customer deposits	-	18 542	18 542
Total Current Liabilities	\$ 128 737	\$ 81 938	\$ 210 675
Noncurrent Liabilities:			
Notes and bonds payable	\$ 87 016	\$ 1 253 302	\$ 1 340 318
Net pension liability	301 470	125 977	427 447
Net OPEB liability	46 143	19 458	65 601
Compensated absences	46 467	30 944	77 411
Total Noncurrent Liabilities	\$ 481 096	\$ 1 429 681	\$ 1 910 777
Total Liabilities	\$ 609 833	\$ 1 511 619	\$ 2 121 452
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	\$ 10 541	\$ -	\$ 10 541
Deferred inflows related to pension	72 936	30 478	103 414
Deferred inflows related to OPEB	7 760	3 273	11 033
Total Deferred Inflows of Resources	\$ 91 237	\$ 33 751	\$ 124 988
NET POSITION			
Net investment in capital assets	\$ 968 621	\$ 2 777 485	\$ 3 746 106
Restricted:			
Revolving loan fund	10 837	-	10 837
Various unspent restricted donations	18 623	-	18 623
Bond retirement	-	501 322	501 322
Unrestricted	274 951	300 264	575 215
Total Net Position	\$ 1 273 032	\$ 3 579 071	\$ 4 852 103

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

TOWN OF SHENANDOAH, VIRGINIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government administration	\$ 394 591	\$ 113 154	\$ -	\$ -
Public safety	423 855	4 604	57 176	37 500
Public works	415 497	147 351	1 056	17 700
Economic development	43 037	15 567	-	29 802
Interest on long-term debt	1 480	-	-	-
Total Governmental Activities	\$ 1 278 460	\$ 280 676	\$ 58 232	\$ 85 002
Business-type Activities:				
Utility Fund	\$ 717 532	\$ 659 722	\$ -	\$ 65 000
Total Business-Type Activities	\$ 717 532	\$ 659 722	\$ -	\$ 65 000
Total Primary Government	\$ 1 995 992	\$ 940 398	\$ 58 232	\$ 150 002

General Revenues:

General property taxes
 Local sales and use taxes
 Restaurant food taxes
 Utility taxes
 Electric surtax
 Communications tax
 Cigarette tax
 Electric franchise
 Bank stock taxes
 Transient occupancy tax
 Railroad rolling stock taxes
 Interest income
 Miscellaneous
Total General Revenues

Gain (Loss) on Disposal of Assets

Transfers

Change in Net Position

**Net Position at Beginning of
Year, as Restated**

Net Position at End of Year

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total Primary Government
\$ (281 437)	\$ -	\$ (281 437)
(324 575)	-	(324 575)
(249 390)	-	(249 390)
2 332	-	2 332
(1 480)	-	(1 480)
\$ (854 550)	\$ -	\$ (854 550)
\$ -	\$ 7 190	\$ 7 190
\$ -	\$ 7 190	\$ 7 190
\$ (854 550)	\$ 7 190	\$ (847 360)
\$ 587 851	\$ -	\$ 587 851
122 871	-	122 871
148 917	-	148 917
29 090	-	29 090
33 325	-	33 325
25 549	-	25 549
54 000	-	54 000
9 465	-	9 465
39 395	-	39 395
5 212	-	5 212
12 245	-	12 245
559	13 051	13 610
2 135	455	2 590
\$ 1 070 614	\$ 13 506	\$ 1 084 120
\$ (1 792)	\$ 2 850	\$ 1 058
\$ 21 000	\$ (21 000)	\$ -
\$ 235 272	\$ 2 546	\$ 237 818
1 037 760	3 576 525	4 614 285
\$ 1 273 032	\$ 3 579 071	\$ 4 852 103

BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 550 048
Receivables (Net of allowances for uncollectibles of \$78,768):	
Real estate and personal property taxes	46 790
Other local revenues	43 695
Due from other governments	10 839
Restricted cash and cash equivalents	109 460
Total Assets	\$ 760 832
LIABILITIES	
Accounts payable	\$ 92 501
Accrued payroll and payroll liabilities	9 339
Total Liabilities	\$ 101 840
DEFERRED INFLOWS OF RESOURCES	
Prepaid property taxes	\$ 10 541
Unavailable revenue-property taxes	33 881
Total Deferred Inflows of Resources	\$ 44 422
FUND BALANCES	
Restricted:	
Revolving loan fund	\$ 10 837
Various unspent restricted donations	18 623
Assigned to capital improvements	48 584
Unassigned	536 526
Total Fund Balances	\$ 614 570
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 760 832

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2018**Amounts reported for governmental activities in the Statement of
Net Position are different because of the following:**

Fund balances of governmental funds	\$ 614 570
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	1 162 285
Long-term liabilities, including notes and bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(160 131)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows related to pension	43 837
Deferred inflows related to pension	(72 936)
Net pension liability	(301 470)
Financial statement elements related to OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows related to OPEB	7 148
Deferred inflows related to OPEB	(7 760)
Net OPEB liability	(46 143)
Property taxes receivable not received within forty-five days after year end are not available to fund current-period expenditures and, therefore, are deferred in the funds.	33 881
Interest payable on long-term debt does not require current financial resources, and therefore, is not reported as a liability in the funds.	(249)
Net position of governmental activities	\$ 1 273 032

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund
Revenues:	
General property taxes	\$ 586 486
Other local taxes	580 978
Fines and forfeitures	4 604
Revenues from use of money and property	3 739
Charges for services	159 738
Miscellaneous	31 937
Intergovernmental:	
Revenue from the Commonwealth	69 433
Revenue from the Federal Government	17 244
Total Revenues	\$ 1 454 159
Expenditures:	
Current:	
General government administration	\$ 415 581
Public safety	392 530
Public works	398 464
Economic development	37 718
Capital expenditures	169 048
Debt Service:	
Debt service payments	65 091
Total Expenditures	\$ 1 478 432
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (24 273)
Other Financing Sources (Uses):	
Proceeds from loans	\$ 91 800
Net operating transfers	21 000
Total Other Financing Sources (Uses)	\$ 112 800
Net Change in Fund Balances	\$ 88 527
Fund Balance at Beginning of Year	526 043
Fund Balance at End of Year	\$ 614 570

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**Amounts reported for governmental activities in the Statement of
Activities are different because of the following:**

Net change in fund balance - total governmental funds	\$ 88 527
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$227,687) exceeded depreciation (\$101,588) in the current period.	126 099
Governmental funds report proceeds from disposal of assets as income. However, in the Statement of Activities only the gain or loss on the disposal is reported.	(1 792)
Issuance of long-term debt is an other financing source in the governmental funds and thus, increases fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(91 800)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the Statement of Activities.	63 780
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer contributions (\$43,837) exceeded pension expense (\$12,373).	31 464
Governmental funds report employer OPEB contributions as expenditures. However, in the Statement of Activities the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense. This is the amount by which employer contributions (\$7,148) exceeded OPEB expense (\$4,207).	2 941
The change in compensated absences liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	14 857
General property tax revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.	1 365
In the governmental funds, interest on long-term debt is reported as interest expense when due, whereas in the Statement of Activities it is accrued.	(169)
Change in net position of governmental funds	\$ <u>235 272</u>

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STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of June 30, 2018

	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 428 526
Restricted cash and cash equivalents	501 322
Receivables:	
Accounts, billed	33 471
Accounts, unbilled	54 991
Other	1 300
Total Current Assets	\$ 1 019 610
Noncurrent Assets:	
Capital assets, net	\$ 4 080 615
Total Noncurrent Assets	\$ 4 080 615
Total Assets	\$ 5 100 225
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	\$ 20 808
Deferred outflows related to OPEB	3 408
Total Deferred Outflows of Resources	\$ 24 216
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 5 427
Accrued payroll and payroll liabilities	3 828
Accrued interest payable	4 313
Notes and bonds payable, current portion	49 828
Customer deposits	18 542
Total Current Liabilities	\$ 81 938
Noncurrent Liabilities:	
Notes and bonds payable	\$ 1 253 302
Net pension liability	125 977
Net OPEB liability	19 458
Compensated absences	30 944
Total Noncurrent Liabilities	\$ 1 429 681
Total Liabilities	\$ 1 511 619
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	\$ 30 478
Deferred inflows related to OPEB	3 273
Total Deferred Inflows of Resources	\$ 33 751
NET POSITION	
Net investment in capital assets	\$ 2 777 485
Restricted for bond retirement	501 322
Unrestricted:	
Undesignated	(84 692)
Designated for capital improvements	384 956
Total Net Position	\$ 3 579 071

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

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2018

	<u>Utility Fund</u>
Operating Revenues:	
Charges for services	\$ 641 345
Total Operating Revenues	<u>\$ 641 345</u>
Operating Expenses:	
Personal services	\$ 252 098
Fringe benefits	62 518
Supplies, materials, and maintenance	75 993
Power and fuel	44 925
Depreciation and amortization	182 631
Other	38 391
Total Operating Expenses	<u>\$ 656 556</u>
Operating Income (Loss)	<u>\$ (15 211)</u>
Nonoperating Revenues (Expenses):	
Interest	\$ 13 051
Penalties	14 352
Cut-on fees	4 025
Miscellaneous income	455
Gain (loss) on disposal of assets	2 850
Interest and fiscal charges	(60 976)
Total Nonoperating Revenues (Expenses)	<u>\$ (26 243)</u>
Net Income (Loss) Before Contributions and Transfers	<u>\$ (41 454)</u>
Contributions - connection fees	\$ 63 000
Contributions - capital grants	2 000
Operating transfers in / (out)	(21 000)
Total Contributions and Transfers	<u>\$ 44 000</u>
Change in Net Position	<u>\$ 2 546</u>
Net Position at Beginning of Year, as Restated	<u>3 576 525</u>
Net Position at End of Year	<u><u>\$ 3 579 071</u></u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	<u>Utility Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 637 961
Cash payments to suppliers	(157 598)
Cash payments to employees	<u>(326 406)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>153 957</u>
Cash Flows from Noncapital Financing Activities:	
Net transfers	\$ (21 000)
Other noncapital financing received	<u>18 832</u>
Net Cash Provided (Used) by Noncapital Financing Activities	\$ <u>(2 168)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	\$ (63 802)
Proceeds from sale of capital assets	12 737
Proceeds from connection fees and capital grants	65 000
Repayment of long-term debt	(152 535)
Interest paid on long-term debt	<u>(61 191)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(199 791)</u>
Cash Flows from Investing Activities:	
Interest earned	\$ <u>13 051</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (34 951)
Cash and Cash Equivalents at Beginning of Year	<u>964 799</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>929 848</u></u>
Cash and Cash Equivalents per Statement of Net Position	
Cash and cash equivalents	\$ 428 526
Restricted cash and cash equivalents	<u>501 322</u>
Total Cash and Cash Equivalents per Statement of Net Position	\$ <u><u>929 848</u></u>

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

STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	Utility Fund
Operating income (loss)	\$ (15 211)
Adjustment to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	182 631
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	(3 631)
Deferred outflows of resources related to pension	13 603
Deferred outflows of resources related to OPEB	(356)
Increase (decrease) in:	
Accounts payable	1 711
Accrued payroll	(2 989)
Customer deposits	247
Compensated absences	12 826
Net pension liability	(54 011)
Net OPEB liability	(4 551)
Deferred inflows of resources related to pension	20 415
Deferred inflows of resources related to OPEB	3 273
Net Cash Provided (Used) by Operating Activities	\$ <u>153 957</u>

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TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town of Shenandoah, Virginia (the "Town") have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. Reporting Entity

The Town is a municipal government that is governed by an elected seven-member council, including a mayor. Generally accepted accounting principles requires these financial statements to present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable. Currently there are no component units that meet the criteria to be included in this report.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 to a significant extent rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

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

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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 revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the Town's 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 following funds are used by the Town:

1. **Governmental Funds:**

The following is a description of the Governmental Funds of the Town:

The General Fund accounts for the Town's primary services (General Government Administration, Public Safety, Public Works, Economic Development, etc.) and is the primary operating unit of the Town.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

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

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

2. Proprietary Funds:

The following is a description of the Proprietary Funds of the Town:

The Utility Fund accounts for the operation of the Town's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

3. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Cash, Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, cash and cash equivalents include business interest checking and savings accounts, certificates of deposit, and money market accounts maintained during the year.

E. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems will be recorded at historical cost on a prospective basis as the Town has elected out of recording such assets retrospectively as allowed for Phase 3 Governments.

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. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant, and equipment of the Town is depreciated using the straight-line method over estimated useful lives ranging from three to fifty years.

F. Pensions – Virginia Retirement System

The Town's Retirement Plan is a multi-employer agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and the additions to/deductions from the Plan's net fiduciary position have been determined on the same basis as they were reported by the 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.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**G. Health Insurance Credit Program – Virginia Retirement System**

The Town's Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired employees. The Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows or resources related to the Health Insurance Credit Program OPEB, and the Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Health Insurance Credit Program; and the additions to/deductions from the VRS Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Group Life Insurance Program – Virginia Retirement System

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

I. Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Town through approval of resolutions. Assigned fund balances is a limitation imposed by the Town Council or a designee of the Town. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**J. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are payable in June and December. The Town bills and collects its own property taxes based on assessment values obtained from the Page County, Virginia, Commissioner of Revenue.

NOTE 2—CASH DEPOSITS:

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.

Restricted cash consists of the following:

\$	10 837	Revolving loan fund
	18 623	Various unspent restricted donations
	<u>80 000</u>	Unspent loan proceeds
\$	<u>109 460</u>	Restricted cash – Governmental Activities
\$	<u>501 322</u>	Bond Retirement
\$	<u>501 322</u>	Restricted Cash – Business – Type Activities
\$	<u>610 782</u>	Total Restricted Cash

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Governmental Activities:

Page County:

Local sales tax

\$ 10 839

Total – Governmental Activities

\$ 10 839

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 283 113	\$ 10 568	\$ -	\$ -	\$ 293 681
Construction in progress	-	1 300	-	-	1 300
Subtotal	\$ 283 113	\$ 11 868	\$ -	\$ -	\$ 294 981
Capital assets being depreciated:					
Buildings	\$ 218 067	\$ -	\$ -	\$ -	\$ 218 067
Other improvements	315 377	23 721	-	-	339 098
Police department	615 577	81 708	-	-	697 285
Street department	377 971	109 500	(8 799)	-	478 672
Office furniture and equipment	70 007	890	(2 500)	-	68 397
Computer center assets	530 176	-	-	-	530 176
Subtotal	\$ 2 127 175	\$ 215 819	\$ (11 299)	\$ -	\$ 2 331 695
Less accumulated depreciation:					
Buildings	\$ (151 101)	\$ (2 954)	\$ -	\$ -	\$ (154 055)
Other improvements	(129 774)	(13 895)	-	-	(143 669)
Police department	(347 437)	(56 879)	-	-	(404 316)
Street department	(259 111)	(20 049)	8 799	-	(270 361)
Office furniture and equipment	(59 376)	(2 492)	708	-	(61 160)
Computer center assets	(425 511)	(5 319)	-	-	(430 830)
Subtotal	\$ (1 372 310)	\$ (101 588)	\$ 9 507	\$ -	\$ (1 464 391)
Total capital assets being depreciated, net	\$ 754 865	\$ 114 231	\$ (1792)	\$ -	\$ 867 304
Governmental Activities capital assets, net	\$ 1 037 978	\$ 126 099	\$ (1 792)	\$ -	\$ 1 162 285

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 4—CAPITAL ASSETS: (Continued)

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Business-type Activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Subtotal	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Capital assets being depreciated:					
Structures and improvements:					
Source of supply	\$ 1 185 759	\$ -	\$ -	\$ -	\$ 1 185 759
Pumping plant	1 358	-	-	-	1 358
Water treatment plant	152 127	-	-	-	152 127
Sewage treatment plant	2 602 890	38 055	-	-	2 640 945
Transmission and distribution	3 849 873	-	-	-	3 849 873
Water treatment plant equipment	321 106	21 218	(12 107)	-	330 217
Vehicles	106 264	-	-	-	106 264
Office furniture and equipment	31 370	865	-	-	32 235
Shop equipment	75 194	3 665	-	-	78 859
Subtotal	\$ 8 325 941	\$ 63 803	\$ (12 107)	\$ -	\$ 8 377 637
Less accumulated depreciation:					
Structures and improvements:					
Source of supply	\$ (909 619)	\$ (23 715)	\$ -	\$ -	\$ (933 334)
Pumping plant	(1 012)	(346)	-	-	(1 358)
Water treatment plant	(105 054)	(3 042)	-	-	(108 096)
Sewage treatment plant	(1 192 997)	(54 076)	-	-	(1 247 073)
Transmission and distribution	(1 667 709)	(77 112)	-	-	(1 744 821)
Water treatment plant equipment	(121 388)	(15 556)	2 219	-	(134 725)
Vehicles	(79 822)	(5 699)	-	-	(85 521)
Office furniture and equipment	(31 369)	-	-	-	(31 369)
Shop equipment	(44 586)	(3 085)	-	-	(47 671)
Subtotal	\$ (4 153 556)	\$ (182 631)	\$ 2 219	\$ -	\$ (4 333 968)
Total capital assets being depreciated, net	\$ 4 172 385	\$ (118 828)	\$ (9 888)	\$ -	\$ 4 043 669
Business-type Activities capital assets, net	\$ 4 209 331	\$ (118 828)	\$ (9 888)	\$ -	\$ 4 080 615

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 4—CAPITAL ASSETS: (Continued)

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

Governmental Activities:

General government administration	\$ 5 446
Public safety	56 879
Public works	33 944
Economic development	<u>5 319</u>

Total depreciation expense – governmental activities \$ 101 588

Business-type Activities:

Utility Fund	<u>\$ 182 631</u>
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Total depreciation expense – business-type activities \$ 182 631

NOTE 5—LONG-TERM DEBT:

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

Governmental Activities

Year Ending June 30	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 18 840	\$ 380	\$ 7 807	\$ 3 089	\$ 26 647	\$ 3 469
2020	3 024	10	8 085	2 811	11 109	2 821
2021	-	-	8 373	2 523	8 373	2 523
2022	-	-	8 671	2 225	8 671	2 225
2023	-	-	8 979	1 917	8 979	1 917
2024 - 2028	-	-	49 885	4 562	49 885	4 562
Total	<u>\$ 21 864</u>	<u>\$ 390</u>	<u>\$ 91 800</u>	<u>\$ 17 127</u>	<u>\$ 113 664</u>	<u>\$ 17 517</u>

Business-type Activities

Year Ending June 30	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 49 827	\$ 57 500	\$ -	\$ -	\$ 49 827	\$ 57 500
2020	42 649	55 492	-	-	42 649	55 492
2021	42 915	53 601	-	-	42 915	53 601
2022	44 886	51 630	-	-	44 886	51 630
2023	46 948	49 568	-	-	46 948	49 568
2024-2028	269 143	213 437	-	-	269 143	213 437
2029-2033	336 913	145 667	-	-	336 913	145 667
2034-2038	421 746	60 834	-	-	421 746	60 834
2039-2043	48 103	638	-	-	48 103	638
Total	<u>\$ 1 303 130</u>	<u>\$ 688 367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1 303 130</u>	<u>\$ 688 367</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5—LONG-TERM DEBT: (Continued)Changes in Long-Term Debt and Compensated Absences

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2018.

	Amounts payable at July 1, 2017	Increases	Decreases	Amounts payable at June 30, 2018
Governmental Activities:				
Compensated absences	\$ 61 324	\$ -	\$ (14 857)	\$ 46 467
General Obligation Bonds	73 451	-	(51 587)	21 864
Notes payable	<u>12 193</u>	<u>91 800</u>	<u>(12 193)</u>	<u>91 800</u>
Total	<u>\$ 146 968</u>	<u>\$ 91 800</u>	<u>\$ (78 637)</u>	<u>\$ 160 131</u>
Business-type Activities:				
Compensated absences	\$ 18 118	\$ 12 826	\$ -	\$ 30 944
General Obligation Bonds	<u>1 455 665</u>	<u>-</u>	<u>(152 535)</u>	<u>1 303 130</u>
Total	<u>\$ 1 473 783</u>	<u>\$ 12 826</u>	<u>\$ (152 535)</u>	<u>\$ 1 334 074</u>

Details of Long-Term IndebtednessGovernmental Activities:General Obligations Bonds:

SunTrust General Obligation Bond (Capital Improvements Project) Series 2004 – payable monthly in the amount of \$1,602 commencing September 2004 for a term of 15 years, including interest at 2.86%. This bond has been allocated between the Governmental Activities (64%) and the Business-type Activities (36%).	\$ <u>21 864</u>
Total General Obligation Bonds	\$ <u>21 864</u>

Notes Payable:

Rural Utilities Services – payable monthly in the amount of \$908 commencing July 2018 for a term of ten years, including interest at 3.5%, secured by a promissory note, a financing statement on all accounts and general intangibles of the Town, and all equipment purchased with the RUS loan and grant funds.	\$ <u>91 800</u>
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Total Notes Payable	\$ <u>91 800</u>
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Total Governmental Activities	\$ <u>113 664</u>
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TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5—LONG-TERM DEBT: (Continued)Business-type Activities:

General Obligation Bonds:

SunTrust General Obligation Bond (Capital Improvements Project) Series 2004 - payable monthly in the amount of \$901 commencing September 2004 for a term of 15 years, including interest at 2.86%. This bond has been allocated between the Governmental Activities (64%) and the Business-type Activities (36%). \$ 12 219

USDA/Rural Development General Obligation Refunding Bonds Series of 1999 – payable monthly in the amount of \$8,043 commencing March 3, 2001 for a term of 38 years, including interest at 4.5%. 1 290 911

Total General Obligation Bonds \$ 1 303 130

Total Business-type Activities \$ 1 303 130

NOTE 6—DEFINED BENEFIT PENSION PLAN:Plan Description

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

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

VRS – PLAN 1

1. **About Plan 1** - Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
2. **Eligible Members** - Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1** (Continued)

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

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

3. **Retirement Contributions** – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
4. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
5. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

6. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

7. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
8. **Service Retirement Multiplier**

VRS - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

Sheriffs and regional jail superintendents – The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1 (Continued)****9. Normal Retirement Age**

VRS – Age 65.

Political subdivisions hazardous duty employees – Age 60.

10. Earliest Unreduced Retirement Eligibility

VRS - Age 65 with at least five years of creditable service or age 50 with at least 30 years of creditable service.

Political subdivisions hazardous duty employees – Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

11. Earliest Reduced Retirement Eligibility

VRS – Age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees – Age 50 with at least five years of creditable service.

12. Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1 (Continued)**

- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
13. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.
 14. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

VRS - PLAN 2

1. **About Plan 2** - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
2. **Eligible Members** - Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

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

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

3. **Retirement Contributions** – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.
4. **Creditable Service** - Same as Plan 1.
5. **Vesting** - Same as Plan 1.
6. **Calculating the Benefit** – See definition under Plan 1.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS - PLAN 2 (Continued)**

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

8. **Service Retirement Multiplier**

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

Sheriffs and regional jail superintendents - Same as Plan 1.

Political subdivision hazardous duty employees - Same as Plan 1.

9. **Normal Retirement Age**

VRS - Normal Social Security retirement age.

Political subdivision hazardous duty employees - Same as Plan 1.

10. **Earliest Unreduced Retirement Eligibility**

VRS - Normal Social Security retirement age with at least five years of creditable service or when their age and service equal 90.

Political subdivision hazardous duty employees - Same as Plan 1.

11. **Earliest Reduced Retirement Eligibility**

VRS - Age 60 with at least five years of creditable service.

Political subdivision hazardous duty employees - Same as Plan 1.

12. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility - Same as Plan 1.

Exceptions to COLA Effective Dates - Same as Plan 1.

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

14. **Purchase of Prior Service** - Same as Plan 1.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN**

1. **About the Hybrid Retirement Plan** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.
 - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - Political subdivision employees*
 - Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

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

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
3. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN (Continued)****4. Creditable Service**

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

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

5. Vesting

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

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

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

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

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

Distribution is not required by law until age 70½.

6. Calculating the Benefit

Defined Benefit Component- See definition under Plan 1.

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)

HYBRID RETIREMENT PLAN (Continued)

7. **Average Final Compensation** - Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

8. **Service Retirement Multiplier**

Defined Benefit Component:

VRS – The retirement multiplier for the defined benefit component is 1.00%.

For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents – Not applicable.

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component – Not applicable.

9. **Normal Retirement Age**

Defined Benefit Component:

VRS – Same as Plan 2.

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

10. **Earliest Unreduced Retirement Eligibility**

Defined Benefit Component:

VRS – Normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN (Continued)****11. Earliest Reduced Retirement Eligibility**Defined Benefit Component:

VRS – Age 60 with at least five years of creditable service.

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not Applicable.

Eligibility - Same as Plan 1 and Plan 2.

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

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

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

14. Purchase of Prior Service

Defined Benefit Component- Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component- Not Applicable.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Employees Covered by Benefit Terms**

As of the June 30, 2016, 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	<u>12</u>
Inactive members:	
Vested inactive members	1
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>8</u>
Total inactive members	<u>16</u>
Active members	<u>16</u>
Total covered employees	<u>44</u>

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2018, was 9.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$64,645 and \$63,489 for the years ended June 30, 2018, and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Employees Covered by Benefit Terms**

As of the June 30, 2016, 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	<u>12</u>
Inactive members:	
Vested inactive members	1
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>8</u>
Total inactive members	<u>16</u>
Active members	<u>16</u>
Total covered employees	<u>44</u>

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2018, was 9.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$64,645 and \$63,489 for the years ended June 30, 2018, and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Largest 10 – Non-Hazardous Duty:**

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

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

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

Actuarial Assumptions – Public Safety Employees 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, 2016, 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, 2017.

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

* Administrative expenses as a percent of 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.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Post-Retirement:**

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)
Retirement Rates
Withdrawal Rates
Disability Rates
Salary Scale
Line of Duty Disability

Update to a more current mortality table –
RP-2014 projected to 2020
Lowered rates at older ages
Adjusted rates to better fit experience
Increased rates
No change
Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)
Retirement Rates
Withdrawal Rates
Disability Rates
Salary Scale
Line of Duty Disability

Update to a more current mortality table –
RP-2014 projected to 2020
Increase age 50 rates, and lowered rates at older ages
Adjusted rates to better fit experience at each year age and service through 9 years of service
Adjusted rates to better fit experience
No change
Decrease rate from 60% to 45%

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT 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	100.00%		4.80%
	Inflation		2.50%
* Expected arithmetic nominal return			7.30%

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

Discount Rate

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2016	\$ <u>2 633 918</u>	\$ <u>2 033 959</u>	\$ <u>599 959</u>
Changes for the year:			
Service cost	\$ 68 681	\$ -	\$ 68 681
Interest	175 379	-	175 379
Changes of assumptions	(25 990)	-	(25 990)
Differences between expected and actual experience	(51 601)	-	(51 601)
Contributions - employer	-	63 489	(63 489)
Contributions - employee	-	32 679	(32 679)
Net investment income	-	244 575	(244 575)
Benefit payments, including refunds of employee contributions	(257 006)	(257 006)	-
Administrative expenses	-	(1 555)	1 555
Other changes	-	(207)	207
Net changes	\$ <u>(90 537)</u>	\$ <u>81 975</u>	\$ <u>(172 512)</u>
Balances at June 30, 2017	\$ <u>2 543 381</u>	\$ <u>2 115 934</u>	\$ <u>427 447</u>

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:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ <u>749 973</u>	\$ <u>427 447</u>	\$ <u>156 739</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2018, the Town recognized pension expense of \$13,188. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 51 445
Change in assumptions	-	17 150
Net difference between projected and actual earnings on pension plan investments	-	34 819
Employer contributions subsequent to the measurement date	<u>64 645</u>	<u>-</u>
Total	<u>\$ 64 645</u>	<u>\$ 103 414</u>

\$64,645 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

2019	\$ (60 492)
2020	(20 620)
2021	(725)
2022	<u>(21 577)</u>
Total	<u>\$ (103 414)</u>

Pension Plan Data

Information about the VRS Town Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

The Town's payables to VRS as of June 30, 2018, were as follows:

\$ 5 401	Governmental Activities
<u>2 625</u>	Business-type Activities
<u>\$ 8 026</u>	Total

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM:**Plan Description**

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

The specific information about the Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out below:

Health Insurance Credit Program (HIC) Plan Provisions**Eligible Employees**

The Health Insurance Credit Program was established July 1, 1993 for retired employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees of participating employers are enrolled automatically upon employment. They include:

- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The Town's Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- **Disability Retirement** – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

Health Insurance Credit Program Notes:

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Employees Covered by Benefit Terms**

As of the June 30, 2016, actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>5</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>5</u>
Active members	<u>16</u>
Total covered employees	<u>21</u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Town's contractually required employer contribution rate for the year ended June 30, 2018, was .24% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the Health Insurance Credit Program were \$1,634 and \$1,595 for the years ended June 30, 2018, and June 30, 2017, respectively.

Net HI OPEB Liability

The Town's net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation	
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, including inflation*

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (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 OPEB liabilities.

Mortality rates – Largest Ten Locality Employers – General Employees
Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Non-Largest Ten Locality Employers – General Employees
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)

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

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

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees****Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled Retirement Rates)	Update to a more current mortality table – RP-2014 projected to 2020 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	Decrease rate from 60% to 45%

Long-Term Expected Rate of Return

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

<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>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019, on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 35 796	\$ 21 854	\$ 13 942
Changes for the year:			
Service cost	\$ 893	\$ -	\$ 893
Interest	2 449	-	2 449
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(1 483)	-	(1 483)
Contributions - employer	-	1 593	(1 593)
Net investment income	-	2 520	(2 520)
Benefit payments	(1 630)	(1 630)	-
Administrative expenses	-	(41)	41
Other changes	-	128	(128)
Net changes	\$ 229	\$ 2 570	\$ (2 341)
Balances at June 30, 2017	\$ 36 025	\$ 24 424	\$ 11 601

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Sensitivity of the Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's Net HIC OPEB Liability	\$ <u>14,881</u>	\$ <u>11,601</u>	\$ <u>8,754</u>

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2018, the Town recognized Health Insurance Credit Program OPEB expense of \$1,285. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	1,243
Net difference between projected and actual earnings on HIC OPEB plan investments	-	790
Employer contributions subsequent to the measurement date	<u>1,634</u>	-
Total	\$ <u>1,634</u>	\$ <u>2,033</u>

\$1,634 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended June 30

2019	\$ (438)
2020	(438)
2021	(438)
2022	(436)
2023	(240)
Thereafter	<u>(43)</u>
Total	\$ <u>(2,033)</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Health Insurance Credit Program Plan Data**

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Health Insurance Credit Program OPEB Plan

The Town's payables to VRS as of June 30, 2018, were as follows:

\$	90	Governmental Activities
	<u>44</u>	Business-type Activities
\$	<u>134</u>	Total

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM:**Plan Description**

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

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

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

Group Life Insurance Program Plan Provisions**Eligible Employees**

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)**Benefit Amounts**

The benefits payable under the Group Life Insurance Program have several components.

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

Reduction in benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$8,922 and \$8,694 for the years ended June 30, 2018, and June 30, 2017, respectively.

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

At June 30, 2018, the entities reported a liability of \$1,504,840,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .00360% as compared to .00383% at June 30, 2016.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$-0-. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1 000
Net difference between projected and actual earnings on GLI OPEB program investments	-	2 000
Change in assumptions	-	3 000
Changes in proportion	-	3 000
Employer contributions subsequent to the measurement date	<u>8 922</u>	<u>-</u>
Total	<u>\$ 8 922</u>	<u>\$ 9 000</u>

\$8,922 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

2019	\$ 2 000
2020	2 000
2021	2 000
2022	1 000
2023	1 000
Thereafter	<u>1 000</u>
Total	<u>\$ 9 000</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (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 OPEB liabilities.

Mortality rates – General State Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Teachers**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)

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

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

Mortality rates – SPORS Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)**Mortality rates – VaLORS Employees****Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – JRS Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)

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

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

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)
Mortality rates – Non-Largest Ten Locality Employers – General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)

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

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

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)**Net GLI OPEB Liability**

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

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2 942 426
Plan Fiduciary Net Position	1 437 586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1 504 840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<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%.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019, on employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ <u>70,000</u>	\$ <u>54,000</u>	\$ <u>41,000</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

The Town's payables to VRS as of June 30, 2018, were as follows:

\$ 493	Governmental Activities
<u>240</u>	Business-type Activities
\$ <u>733</u>	Total

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 9—DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time.

The following items qualify for reporting in this category:

A. Prepaid property taxes

Property taxes due subsequent to June 30, 2018, but paid in advance by taxpayers totaled \$10,541 at June 30, 2018. These payments were collected in the current fiscal year for property taxes levied to fund future years.

B. Unavailable property tax revenue

Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$33,881 at June 30, 2018. This item occurs only under the modified accrual basis of accounting and is reported only on the Governmental Funds Balance Sheet. It represents receivables not collected within 45 days of year end.

NOTE 10—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS):

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 11—INTERFUND LOANS AND TRANSFERS:

Interfund transfers during the year took place as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Net transfers needed to fund operating expenditures	\$ 21 000	\$ (21 000)
Total Transfers, Net	\$ 21 000	\$ (21 000)

NOTE 12—COMMITMENTS:

The Town signed a contract on May 22, 2018, with an engineering firm for a preliminary engineering report on their water and sewer system. The contract is for a lump sum fee not to exceed \$25,000 and will be funded entirely by a grant awarded in the year ending June 30, 2019.

The Town signed a contract on June 18, 2018, with an architect for the design of a train museum building. The contract is a fixed fee arrangement in the amount of \$24,750.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 13—SUBSEQUENT EVENTS:

The Town was awarded \$16,712 from Page County to help fund the Train Museum Project. Payments will be received quarterly during the year ending June 30, 2019.

The Town was awarded a grant for playground equipment. Phase I will occur during the year ending June 30, 2019, and will amount to \$7,007. Phase II will occur during the year ending June 30, 2020, and will amount to \$7,125.

The Town signed a contract on August 28, 2018, for an addition to the maintenance shop in the amount of \$14,850, which was funded through savings.

The Town purchased two used dump trucks for approximately \$38,000 in October 2018, which was funded through savings.

The Town contracted for the installation of a new sewer line off Junior Avenue in February 2019. The cost will be approximately \$10,000 and will be funded through savings.

NOTE 14—ADOPTION OF NEW STANDARD AND PRIOR PERIOD ADJUSTMENT:

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the current year. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting and financial reporting requirements for OPEB plans. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Following is a summary of the restatements to net position resulting from the adoption of GASB Statement No. 75:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Proprietary Funds</u>
Net position at beginning of year	\$ 1 087 456	\$ 3 597 482	\$ 3 597 482
Recognition of OPEB related liabilities and deferred outflows in accordance with GASB No. 75	<u>(49 696)</u>	<u>(20 957)</u>	<u>(20 957)</u>
Net position at beginning of year, as restated	<u>\$ 1 037 760</u>	<u>\$ 3 576 525</u>	<u>\$ 3 576 525</u>

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 601 926	\$ 601 926	\$ 586 486	\$ (15 440)
Other local taxes	539 465	539 465	580 978	41 513
Fines and forfeitures	4 000	4 000	4 604	604
Revenues from use of money and property	1 350	1 350	3 739	2 389
Charges for services	157 251	157 251	159 738	2 487
Miscellaneous	20 900	20 900	31 937	11 037
Intergovernmental:				
Revenue from the Commonwealth	71 092	71 092	69 433	(1 659)
Revenue from the Federal Government	3 000	3 000	17 244	14 244
Total Revenues	\$ 1 398 984	\$ 1 398 984	\$ 1 454 159	\$ 55 175
Expenditures:				
Current:				
General government administration	\$ 434 759	\$ 434 759	\$ 415 581	\$ 19 178
Public safety	357 726	364 726	392 530	(27 804)
Public works	390 222	398 222	398 464	(242)
Economic development	42 198	42 198	37 718	4 480
Capital expenditures	56 042	41 042	169 048	(128 006)
Debt Service:				
Debt service payments	57 708	57 708	65 091	(7 383)
Total Expenditures	\$ 1 338 655	\$ 1 338 655	\$ 1 478 432	\$ (139 777)
Excess (Deficiency) of Revenues Over Expenditures	\$ 60 329	\$ 60 329	\$ (24 273)	\$ (84 602)
Other Financing Sources (Uses):				
Proceeds from loans	\$ -	\$ -	\$ 91 800	\$ 91 800
Net operating transfers	(60 329)	(60 329)	21 000	81 329
Total Other Financing Sources (Uses)	\$ (60 329)	\$ (60 329)	\$ 112 800	\$ 173 129
Net Change in Fund Balances	\$ -	\$ -	\$ 88 527	\$ 88 527
Fund Balance at Beginning of Year	-	-	526 043	526 043
Fund Balance at End of Year	\$ -	\$ -	\$ 614 570	\$ 614 570

See notes to required supplementary information.

TOWN OF SHENANDOAH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2018

	<u>6/30/2017</u>	<u>6/30/2016</u>
Total Pension Liability:		
Service cost	\$ 68 681	\$ 67 727
Interest	175 379	173 941
Difference between expected and actual experience	(51 601)	(41 779)
Change of assumptions	(25 990)	-
Benefit payments, including refunds of employee contributions	(257 006)	(101 688)
Net Change in Total Pension Liability	\$ (90 537)	\$ 98 201
Total Pension Liability at Beginning of Year	<u>2 633 918</u>	<u>2 535 717</u>
Total Pension Liability at End of Year (a)	<u>\$ 2 543 381</u>	<u>\$ 2 633 918</u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 63 489	\$ 84 152
Contributions - employee	32 679	33 986
Net investment income	244 575	35 125
Benefit payments, including refunds of employee contributions	(257 006)	(101 688)
Administrative expense	(1 555)	(1 216)
Other	(207)	(15)
Net Change in Plan Fiduciary Net Position	\$ 81 975	\$ 50 344
Plan Fiduciary Net Position at Beginning of Year	<u>2 033 959</u>	<u>1 983 615</u>
Plan Fiduciary Net Position at End of Year (b)	<u>\$ 2 115 934</u>	<u>\$ 2 033 959</u>
Net Pension Liability at End of Year (a) - (b)	<u>\$ 427 447</u>	<u>\$ 599 959</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.19%	77.22%
Covered Payroll	\$ 637 664	\$ 662 961
Net Pension Liability as a Percentage of Covered Payroll	67.03%	90.50%

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

See notes to required supplementary information.

<u>6/30/2015</u>	<u>6/30/2014</u>
\$ 65 382	\$ 62 685
166 523	158 794
(11 473)	-
-	-
<u>(127 240)</u>	<u>(94 892)</u>
\$ 93 192	\$ 126 587
<u>2 442 525</u>	<u>2 315 938</u>
<u>\$ 2 535 717</u>	<u>\$ 2 442 525</u>
\$ 80 470	\$ 76 857
32 532	30 360
88 486	259 906
(127 240)	(94 892)
(1 201)	(1 379)
<u>(17)</u>	<u>14</u>
\$ 73 030	\$ 270 866
<u>1 910 585</u>	<u>1 639 719</u>
<u>\$ 1 983 615</u>	<u>\$ 1 910 585</u>
<u>\$ 552 102</u>	<u>\$ 531 940</u>
78.23%	78.22%
\$ 661 804	\$ 617 664
83.42%	86.12%

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REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
 For the Year Ended June 30, 2018

Year Ending June 30,	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
2018	\$ 64 645	\$ 64 645	\$ -	\$ 681 240	9.49%
2017	63 489	63 489	-	637 664	9.96%
2016	84 152	84 152	-	662 961	12.69%
2015	80 470	80 470	-	661 804	12.16%
2014	76 857	76 857	-	718 341	10.70%
2013	74 168	74 168	-	590 244	12.57%
2012	85 576	85 576	-	538 105	15.90%
2011	83 559	83 559	-	534 651	15.63%
2010	67 043	67 043	-	517 292	12.96%
2009	65 877	65 877	-	506 562	13.00%

See notes to required supplementary information.

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REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET HEALTH INSURANCE CREDIT OPEB LIABILITY AND RELATED RATIOS
 For the Year Ended June 30, 2018

	<u>6/30/2017</u>
Total HIC OPEB Liability:	
Service cost	\$ 893
Interest	2 449
Change in assumptions	(1 483)
Benefit payments	<u>(1 630)</u>
Net Change in Total HIC OPEB Liability	\$ 229
Total HIC OPEB Liability at Beginning of Year	<u>35 796</u>
Total HIC OPEB Liability at End of Year (a)	\$ <u><u>36 025</u></u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 1 593
Net investment income	2 520
Benefit payments	(1 630)
Administrative expense	(41)
Other	<u>128</u>
Net Change in Plan Fiduciary Net Position	\$ 2 570
Plan Fiduciary Net Position at Beginning of Year	<u>21 854</u>
Plan Fiduciary Net Position at End of Year (b)	\$ <u><u>24 424</u></u>
Net HIC OPEB Liability at End of Year (a) - (b)	\$ <u><u>11 601</u></u>
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	67.80%
Covered Payroll	\$ 637 664
Net HIC OPEB Liability as a Percentage of Covered Payroll	1.82%

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

See notes to required supplementary information.

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REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO HEALTH INSURANCE CREDIT OPEB PLAN
 For the Year Ended June 30, 2018

Year Ending June 30,	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
2018	\$ 1 634	\$ 1 634	\$ -	\$ 681 240	0.24%
2017	1 595	1 595	-	637 664	0.25%
2016	2 136	2 136	-	662 961	0.32%
2015	1 990	1 990	-	661 804	0.30%
2014	2 188	2 188	-	718 341	0.30%
2013	2 111	2 111	-	590 244	0.36%
2012	2 118	2 118	-	538 105	0.39%
2011	2 068	2 068	-	534 651	0.39%
2010	2 968	2 968	-	517 292	0.57%
2009	2 917	2 917	-	506 562	0.58%

See notes to required supplementary information.

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET GROUP LIFE INSURANCE OPEB LIABILITY
For the Year Ended June 30, 2018

	<u>6/30/2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00360%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 54 000
Employer's Covered Payroll	\$ 637 664
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.47%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

See notes to required supplementary information.

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TOWN OF SHENANDOAH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO GROUP LIFE INSURANCE OPEB PLAN
For the Year Ended June 30, 2018

Year Ending June 30,	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
2018	\$ 8 922	\$ 8 922	\$ -	\$ 681 240	1.31%
2017	8 694	8 694	-	637 664	1.36%
2016	8 200	8 200	-	662 961	1.24%
2015	7 640	7 640	-	661 804	1.15%
2014	7 233	7 233	-	718 341	1.01%
2013	6 977	6 977	-	590 244	1.18%
2012	1 520	1 520	-	538 105	0.28%
2011	1 485	1 485	-	534 651	0.28%
2010	4 043	4 043	-	517 292	0.78%
2009	4 124	4 124	-	506 562	0.81%

See notes to required supplementary information.

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OTHER SUPPLEMENTARY INFORMATION

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TOWN OF SHENANDOAH, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

NOTE 1 - BUDGETARY COMPARISON SCHEDULE:

The unfavorable variance shown for Total Expenditures is offset by the favorable variance for Total Other Financing Sources (Uses).

NOTE 2 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND CONTRIBUTIONS AND NET HIC AND GLI OPEB LIABILITIES AND CONTRIBUTIONS:

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017, is not material.

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

Largest 10 - Non-Hazardous Duty:

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

NOTE 2 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND CONTRIBUTIONS AND NET HIC AND GLI OPEB LIABILITIES AND CONTRIBUTIONS: (Continued)

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND:			
Revenue from Local Sources:			
General Property Taxes:			
Real property taxes	\$ 482 800	\$ 475 340	\$ (7 460)
Personal property taxes	104 400	92 382	(12 018)
Penalties and interest	14 726	18 764	4 038
Total General Property Taxes	\$ 601 926	\$ 586 486	\$ (15 440)
Other Local Taxes:			
Local sales and use taxes	\$ 132 100	\$ 122 871	\$ (9 229)
Restaurant food taxes	102 000	148 917	46 917
Business licenses	48 000	49 113	1 113
Motor vehicle licenses	63 000	54 885	(8 115)
Utility taxes	27 000	29 090	2 090
Electric surtax	32 000	33 325	1 325
Communications tax	26 500	25 549	(951)
Cigarette tax	54 200	54 000	(200)
Electric franchise	9 465	9 465	-
Bank stock taxes	32 000	39 395	7 395
Transient occupancy tax	7 200	5 212	(1 988)
Permits and administration	6 000	9 156	3 156
Total Other Local Taxes	\$ 539 465	\$ 580 978	\$ 41 513
Fines and Forfeitures:			
Fines and forfeitures	\$ 4 000	\$ 4 604	\$ 604
Revenues from Use of Money and Property:			
Revenue from use of money	\$ 350	\$ 559	\$ 209
Revenue from use of property	1 000	3 180	2 180
Total Revenues from Use of Money and Property	\$ 1 350	\$ 3 739	\$ 2 389
Charges for Services:			
Charges for maintenance of highways, streets, bridges and sidewalks	\$ 11 000	\$ 12 238	\$ 1 238
Charges for sanitation and waste removal	130 000	131 429	1 429
Computer center revenue	5 500	5 835	335
Broadband revenue	9 732	9 732	-
Sale of services and supplies	1 019	504	(515)
Total Charges for Services	\$ 157 251	\$ 159 738	\$ 2 487

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND: (Continued)			
Miscellaneous:			
Donations	\$ 16 700	\$ 29 802	\$ 13 102
Refunds/claims	2 500	1 175	(1 325)
Miscellaneous revenue	1 700	960	(740)
Total Miscellaneous	\$ 20 900	\$ 31 937	\$ 11 037
Total Revenue from Local Sources	\$ 1 324 892	\$ 1 367 482	\$ 42 590
Revenue from the Commonwealth:			
Noncategorical Aid:			
Railroad rolling stock taxes	\$ 12 300	\$ 12 245	\$ (55)
Aid to localities with police departments	44 692	46 132	1 440
Total Noncategorical Aid	\$ 56 992	\$ 58 377	\$ 1 385
Categorical Aid:			
Litter control grant	\$ 1 100	\$ 1 056	\$ (44)
VML safety grant	2 000	-	(2 000)
Fire fund	10 000	10 000	-
Other grants	1 000	-	(1 000)
Total Categorical Aid	\$ 14 100	\$ 11 056	\$ (3 044)
Total Revenue from the Commonwealth	\$ 71 092	\$ 69 433	\$ (1 659)
Revenue from the Federal Government:			
Categorical Aid:			
USDA RHS Community Facilities Grant	\$ -	\$ 16 200	\$ 16 200
Local Law Enforcement Block Grant	3 000	1 044	(1 956)
Total Categorical Aid	\$ 3 000	\$ 17 244	\$ 14 244
Total Revenue from the Federal Government	\$ 3 000	\$ 17 244	\$ 14 244
Total General Fund	\$ 1 398 984	\$ 1 454 159	\$ 55 175

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND:			
General Government Administration:			
Legislative:			
Ordinance codification	\$ 2 300	\$ 1 175	\$ 1 125
General and Financial Administration:			
General administration	\$ 136 686	\$ 132 020	\$ 4 666
Professional services	16 000	7 138	8 862
Risk management	84 000	81 039	2 961
Employee benefits, including payroll taxes	195 773	194 209	1 564
Total General and Financial Administration	\$ 432 459	\$ 414 406	\$ 18 053
Total General Government Administration	\$ 434 759	\$ 415 581	\$ 19 178
Public Safety:			
Law enforcement and traffic control	\$ 354 726	\$ 382 347	\$ (27 621)
Fire and rescue services	10 000	10 183	(183)
Total Public Safety	\$ 364 726	\$ 392 530	\$ (27 804)
Public works:			
Maintenance of Highways, Streets, Bridges and Sidewalks:			
Highways, streets, bridges and sidewalks	\$ 197 962	\$ 195 780	\$ 2 182
Street lights	51 600	44 137	7 463
Total Maintenance of Highways, Streets, Bridges and Sidewalks	\$ 249 562	\$ 239 917	\$ 9 645
Sanitation and Waste Removal:			
Refuse collection	\$ 103 700	\$ 103 638	\$ 62
Maintenance of General Buildings and Grounds:			
General properties	\$ 16 260	\$ 12 737	\$ 3 523
Parks, Recreation and Cultural:			
Recreational and cultural activities	\$ 28 700	\$ 42 172	\$ (13 472)
Total Parks, Recreation and Cultural	\$ 28 700	\$ 42 172	\$ (13 472)
Total Public Works	\$ 398 222	\$ 398 464	\$ (242)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND: (Continued)			
Economic Development:			
Economic development administration	\$ 10 017	\$ 8 110	\$ 1 907
Computer Center	<u>32 181</u>	<u>29 608</u>	<u>2 573</u>
Total Economic Development	<u>\$ 42 198</u>	<u>\$ 37 718</u>	<u>\$ 4 480</u>
Capital Expenditures:			
Street improvements	\$ 5 000	\$ 8 680	\$ (3 680)
Police equipment	2 000	44 208	(42 208)
Street equipment	4 000	115 270	(111 270)
Town office equipment	2 000	890	1 110
Miscellaneous	1 500	-	1 500
Contingencies	<u>26 542</u>	<u>-</u>	<u>26 542</u>
Total Capital Expenditures	<u>\$ 41 042</u>	<u>\$ 169 048</u>	<u>\$ (128 006)</u>
Debt Service:			
Debt service payments	<u>\$ 57 708</u>	<u>\$ 65 091</u>	<u>\$ (7 383)</u>
Total General Fund	<u>\$ 1 338 655</u>	<u>\$ 1 478 432</u>	<u>\$ (139 777)</u>

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