



FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Exhibit 1 Statement of Net Position	4
Exhibit 2 Statement of Activities	5-6
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Fund	7
Exhibit 4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Fund	9
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	10
Exhibit 7 Statement of Net Position—Proprietary Fund	11
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund	12
Exhibit 9 Statement of Cash Flows—Proprietary Fund	13
Exhibit 10 Statement of Fiduciary Net Position—Fiduciary Fund	14
Notes to Financial Statements	15-58
<u>Required Supplementary Information:</u>	
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—General Fund	59
Exhibit 12 Schedule of Changes in Net Pension Liability and Related Ratios	60
Exhibit 13 Schedule of Employer Contributions	61
Exhibit 14 Notes to Required Supplementary Information	62
Exhibit 15 Schedule of the Town's Share of Net OPEB Liability—Group Life Insurance Program	63
Exhibit 16 Schedule of Employer Contributions—Group Life Insurance Program	64
Exhibit 17 Notes to Required Supplementary Information—Group Life Insurance Program	65-66

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

TABLE OF CONTENTS

Page

Other Supplementary Information:

Exhibit 18	Statement of Changes in Assets and Liabilities—Agency Fund	67
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Supporting Statements

Discretely Presented Component Unit—Altavista Economic Development Authority

Exhibit 19	Statement of Net Position	68
Exhibit 20	Statement of Revenues, Expenses, and Changes in Net Position	69
Exhibit 21	Statement of Cash Flows	70

Statistical Information:

Table 1	General Government Revenues by Source	71
Table 2	General Government Expenditures by Function	72
Table 3	Computation of Legal Debt Limit	73
Table 4	Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	74-75
Table 5	Comparative Statement of Revenues, Expenses and Changes Net Position of Proprietary Fund	76-77

Compliance:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78-79
Schedule of Findings and Responses	80

TOWN OF ALTAVISTA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2019

TOWN COUNCIL

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

APPOINTED OFFICIALS

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

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates



Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 59 and 60-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

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

Other Matters

Other Information: (Continued)

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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019, on our consideration of Town of Altavista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Altavista, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Altavista, Virginia's internal control over financial reporting and compliance.

Robinson, Fournel, Cox Associates

Charlottesville, Virginia

October 21, 2019

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BASIC FINANCIAL STATEMENTS

- Government-Wide Financial Statements -

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Statement of Net Position
At June 30, 2019

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 17,723,262	\$ 844,644	\$ 18,567,906	\$ 385
Cash and cash equivalents, restricted	93,553	-	93,553	-
Receivables, (net of allowance for uncollectibles)	191,737	479,315	671,052	-
Due from other governments	74,375	-	74,375	-
Due from primary government	-	-	-	11,598
Inventory	60,749	-	60,749	-
Total current assets	\$ 18,143,676	\$ 1,323,959	\$ 19,467,635	\$ 11,983
Noncurrent assets:				
Capital assets:				
Land and construction in progress	\$ 1,065,647	\$ 854,524	\$ 1,920,171	\$ -
Buildings, infrastructure, and equipment (net of accumulated depreciation)	7,253,092	17,386,511	24,639,603	-
Total noncurrent assets	\$ 8,318,739	\$ 18,241,035	\$ 26,559,774	\$ -
Total assets	\$ 26,462,415	\$ 19,564,994	\$ 46,027,409	\$ 11,983
Deferred Outflows of Resources:				
Pension deferrals	\$ 128,529	\$ 158,298	\$ 286,827	\$ -
Group life OPEB deferrals	17,573	13,673	31,246	-
Total deferred outflows of resources	\$ 146,102	\$ 171,971	\$ 318,073	\$ -
Liabilities:				
Current liabilities:				
Accounts payable	\$ 115,745	\$ 307,664	\$ 423,409	\$ -
Accrued liabilities	79,877	20,339	100,216	-
Due to Component Unit EDA	11,598	-	11,598	-
Accrued interest payable	3,748	68,717	72,465	-
Unearned revenue	2,900	-	2,900	-
Customer deposits	-	40,029	40,029	-
Environmental remediation	-	750,000	750,000	-
Current portion of long-term obligations	88,867	330,905	419,772	-
Total current liabilities	\$ 302,735	\$ 1,517,654	\$ 1,820,389	\$ -
Noncurrent liabilities:				
Net pension liability	\$ 245,334	\$ 188,886	\$ 434,220	\$ -
Net group life OPEB liability	101,647	79,353	181,000	-
Noncurrent portion of long-term obligations	324,226	5,310,800	5,635,026	-
Total noncurrent liabilities	\$ 671,207	\$ 5,579,039	\$ 6,250,246	\$ -
Total liabilities	\$ 973,942	\$ 7,096,693	\$ 8,070,635	\$ -
Deferred Inflows of Resources:				
Pension deferrals	\$ 165,930	\$ 109,955	\$ 275,885	\$ -
Group life OPEB deferrals	9,547	7,453	17,000	-
Total deferred inflows of resources	\$ 175,477	\$ 117,408	\$ 292,885	\$ -
Net Position:				
Net investment in capital assets	\$ 8,004,203	\$ 12,674,321	\$ 20,678,524	\$ -
Restricted	1,198,001	-	1,198,001	-
Unrestricted	16,256,894	(151,457)	16,105,437	11,983
Total net position	\$ 25,459,098	\$ 12,522,864	\$ 37,981,962	\$ 11,983

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

TOWN OF ALTAVISTA, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 994,647	\$ -	\$ -	\$ -
Public safety	987,759	38,042	118,230	-
Public works	1,897,177	6,447	844,318	-
Parks, recreation, and cultural	247,968	-	-	-
Community development	87,512	-	-	-
Interest on long-term debt	8,383	-	-	-
Total governmental activities	\$ 4,223,446	\$ 44,489	\$ 962,548	\$ -
Business - type activities				
Water and sewer	\$ 3,924,278	\$ 3,725,914	\$ -	\$ -
Total business-type activities	\$ 3,924,278	\$ 3,725,914	\$ -	\$ -
Total primary government	\$ 8,147,724	\$ 3,770,403	\$ 962,548	\$ -
Component Unit:				
Altavista Economic Development Authority	\$ 55,000	\$ -	\$ -	\$ -
General Revenues				
Property taxes				
Meal taxes				
Sales and use taxes				
Bank stock taxes				
Cigarette taxes				
Other local taxes				
Grants and contributions not restricted to specific programs				
Revenue from use of money and property				
Contributions from primary government				
Miscellaneous				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Altavista Economic Development Authority
\$ (994,647)	\$ -	\$ (994,647)	\$ -
(831,487)	-	(831,487)	-
(1,046,412)	-	(1,046,412)	-
(247,968)	-	(247,968)	-
(87,512)	-	(87,512)	-
(8,383)	-	(8,383)	-
<u>\$ (3,216,409)</u>	<u>\$ -</u>	<u>\$ (3,216,409)</u>	<u>\$ -</u>
\$ -	\$ (198,364)	\$ (198,364)	\$ -
\$ -	\$ (198,364)	\$ (198,364)	\$ -
<u>\$ (3,216,409)</u>	<u>\$ (198,364)</u>	<u>\$ (3,414,773)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,000)</u>
\$ 2,380,400	\$ -	\$ 2,380,400	\$ -
986,050	-	986,050	-
169,649	-	169,649	-
171,860	-	171,860	-
140,288	-	140,288	-
331,023	-	331,023	-
182,071	-	182,071	-
309,126	21,011	330,137	106
-	-	-	55,000
166,106	-	166,106	-
<u>\$ 4,836,573</u>	<u>\$ 21,011</u>	<u>\$ 4,857,584</u>	<u>\$ 55,106</u>
\$ 1,620,164	\$ (177,353)	\$ 1,442,811	\$ 106
23,838,934	12,700,217	36,539,151	11,877
<u>\$ 25,459,098</u>	<u>\$ 12,522,864</u>	<u>\$ 37,981,962</u>	<u>\$ 11,983</u>

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BASIC FINANCIAL STATEMENTS

- Fund Financial Statements -

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Balance Sheet
 Governmental Fund
 At June 30, 2019

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 17,723,262
Cash and cash equivalents, restricted	93,553
Receivables (net of allowance for uncollectibles):	
Taxes	61,720
Accounts	130,017
Due from other governments	74,375
Inventory	<u>60,749</u>
 Total assets	 \$ <u><u>18,143,676</u></u>
Liabilities:	
Accounts payable	\$ 115,745
Accrued liabilities	79,877
Unearned revenue	2,900
Due to Component Unit EDA	<u>11,598</u>
 Total liabilities	 \$ <u>210,120</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ <u>78,066</u>
Fund Balance:	
Nonspendable	\$ 60,749
Restricted	1,198,001
Committed	4,653,248
Unassigned	<u>11,943,492</u>
 Total fund balance	 \$ <u>17,855,490</u>
 Total liabilities, deferred inflows of resources and fund balance	 \$ <u><u>18,143,676</u></u>

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

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

Total fund balance for governmental funds (Exhibit 3) \$ 17,855,490

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

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

Land and construction in progress	\$	1,065,647	
Depreciable capital assets, net of accumulated depreciation		<u>7,253,092</u>	
 Total capital assets			 8,318,739

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds. 78,066

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

Pension deferrals - deferred outflows		128,529	
GLI OPEB deferrals - deferred outflows		17,573	
 Pension deferrals - deferred inflows			 (165,930)
GLI OPEB deferrals - deferred inflows			(9,547)

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

Net pension liability	\$	(245,334)	
Net group life OPEB liability		(101,647)	
General obligation public improvement bond		(314,536)	
Accrued interest payable		(3,748)	
Compensated absences		<u>(98,557)</u>	
 Total long-term liabilities			 <u>(763,822)</u>
 Total net position of governmental activities (Exhibits 1 and 2)			 \$ <u><u>25,459,098</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2019

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 2,359,155
Other local taxes	1,798,870
Permits, privilege fees and regulatory licenses	22,300
Fines and forfeitures	15,742
Revenue from use of money and property	309,126
Charges for services	6,447
Miscellaneous	166,106
Intergovernmental	<u>1,144,619</u>
Total revenues	<u>\$ 5,822,365</u>
Expenditures:	
Current:	
General government administration	\$ 992,842
Public safety	1,109,508
Public works	1,874,453
Parks, recreation and cultural	808,649
Community development	87,512
Debt service:	
Principal retirement	14,570
Interest and other fiscal charges	<u>8,557</u>
Total expenditures	<u>\$ 4,896,091</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 926,274</u>
Net changes in fund balance	\$ 926,274
Fund balance at beginning of year	<u>16,929,216</u>
Fund balance at end of year	<u><u>\$ 17,855,490</u></u>

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

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

Net change in fund balance - total governmental funds (Exhibit 5) \$ 926,274

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

Capital outlays	\$ 962,616	
Depreciation expense	<u>(467,280)</u>	495,336

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

Unavailable revenue - taxes	\$ 21,245	
Change in deferred inflows related to the measurement of the net GLI OPEB liability	18,899	
Change in deferred inflows related to the measurement of the net pension liability	<u>49,503</u>	89,647

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

Principal retired on bonds payable	\$ <u>14,570</u>	14,570
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ 2,691	
Change in accrued interest payable	174	
Change in deferred outflows related to pensions	(42,432)	
Change in deferred outflows related to GLI OPEB	10,910	
Change in net GLI OPEB liability	(2,238)	
Change in net pension liability	<u>125,232</u>	
Net adjustment		<u>94,337</u>

Change in net position of governmental activities (Exhibit 2)		<u>\$ 1,620,164</u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 At June 30, 2019

	Business-type Activities
	Enterprise Fund
	Water and Sewer
Assets:	
Current assets:	
Cash and cash equivalents	\$ 844,644
Receivables (net of allowance for uncollectibles):	
Accounts	479,315
Total current assets	<u>\$ 1,323,959</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	\$ 854,524
Buildings, infrastructure, and equipment, net of accumulated depreciation	17,386,511
Total noncurrent assets	<u>\$ 18,241,035</u>
Total assets	<u>\$ 19,564,994</u>
Deferred Outflows of Resources:	
Pension deferrals	\$ 158,298
Group life OPEB deferrals	13,673
Total deferred outflows of resources	<u>\$ 171,971</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 307,664
Accrued liabilities	20,339
Accrued interest payable	68,717
Customers' deposits	40,029
Environmental remediation	750,000
Bonds payable - current portion	274,661
Compensated absences - current portion	56,244
Total current liabilities	<u>\$ 1,517,654</u>
Noncurrent liabilities:	
Bonds payable - noncurrent portion	\$ 5,292,053
Net pension liability	188,886
Net group life OPEB liability	79,353
Compensated absences - noncurrent portion	18,747
Total noncurrent liabilities	<u>\$ 5,579,039</u>
Total liabilities	<u>\$ 7,096,693</u>
Deferred Inflows of Resources:	
Pension deferrals	\$ 109,955
Group life OPEB deferrals	7,453
Total deferred outflows of resources	<u>\$ 117,408</u>
Net Position:	
Net investment in capital assets	\$ 12,674,321
Unrestricted	(151,457)
Total net position	<u>\$ 12,522,864</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2019

	Business-type Activities Enterprise Fund <u>Water and Sewer</u>
Operating revenues:	
Charges for services	\$ 3,702,997
Other	22,917
	<u>3,725,914</u>
Total operating revenues	\$ 3,725,914
Operating expenses:	
Salaries	\$ 1,031,852
Fringe benefits	271,896
Maintenance	260,609
Utilities	487,356
Materials and supplies	509,612
Sample testing	24,840
Purchase of water	31,283
Other	92,903
Depreciation	1,062,495
	<u>3,772,846</u>
Total operating expenses	\$ 3,772,846
Operating income (loss)	\$ (46,932)
Nonoperating revenues (expenses):	
Interest revenue	\$ 21,011
Interest expense	(151,432)
	<u>(130,421)</u>
Total nonoperating revenues (expenses)	\$ (130,421)
Change in net position	\$ (177,353)
Net position, beginning of year	<u>12,700,217</u>
Net position, end of year	<u><u>\$ 12,522,864</u></u>

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2019

	Business-type Activities Enterprise Fund <u>Water and Sewer</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,664,385
Payments to suppliers	(1,203,776)
Payments for employees	(1,364,842)
Net cash provided by (used for) operating activities	<u>\$ 1,095,767</u>
Cash flows from capital and related financing activities:	
Interest paid	\$ (154,772)
Purchase of capital assets	(1,074,060)
Principal retired on debt	(267,440)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,496,272)</u>
Cash flows from investing activities:	
Interest revenue	\$ 21,011
Net cash provided by (used for) investing activities	<u>\$ 21,011</u>
Increase (decrease) in cash and cash equivalents	\$ (379,494)
Cash and cash equivalents at beginning of year	<u>1,224,138</u>
Cash and cash equivalents at end of year	<u><u>\$ 844,644</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (46,932)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,062,495
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts receivable	(64,832)
(Increase)/Decrease in prepaid expenses	13,985
(Increase)/Decrease in deferred outflows of resources	32,132
Increase/(Decrease) in accounts payable	188,842
Increase/(Decrease) in accrued liabilities	3,352
Increase/(Decrease) in net pension liability	(66,800)
Increase/(Decrease) in net GLI OPEB liability	10,762
Increase/(Decrease) in deferred inflows of resources	(45,978)
Increase/(Decrease) in compensated absences	5,438
Increase/(Decrease) in customer deposits	3,303
Net cash provided by (used for) operating activities	<u><u>\$ 1,095,767</u></u>

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

Statement of Fiduciary Net Position
Fiduciary Fund
At June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,047</u>
Total assets	\$ <u><u>1,047</u></u>
LIABILITIES	
Amounts held for others	\$ <u>1,047</u>
Total liabilities	\$ <u><u>1,047</u></u>

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Financial Reporting Entity

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

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

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

Altavista Economic Development Authority

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

The Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

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

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

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

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

D. Net Position Flow Assumption

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

E. Budgets and Budgetary Accounting

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

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

Excess of Expenditures over Appropriations

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

F. Cash and Cash Equivalents

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

G. Inventory

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

H. Prepaid Items

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

I. Allowance for Uncollectible Accounts

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

Real estate	\$	992
Personal property		<u>13,981</u>
Total	\$	<u>14,973</u>

J. Capital Assets

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

J. Capital Assets: (Continued)

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

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

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

K. Unavailable Revenue

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$78,066 at June 30, 2019.

L. Compensated Absences

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

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

M. Net Position

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

N. Fund Balance

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

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

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

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

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

O. Restricted Resources-Fund Balance

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

P. Minimum Fund Balance Policy

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

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2019.

R. Uses of Estimates

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

S. Performance Grants Payable

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

T. Deferred Outflows/Inflows of Resources

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

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

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

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

V. Pensions

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

W. Other Post Employment Benefits (OPEB)

Group Life Insurance

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Pursuant to Sec. 2.1-234.7 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy specifies that no investment may have a maturity greater than one year from the date of purchase.

Credit Risk:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Concentration of Credit Risk:

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

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

	<u>Fair Value</u>
Deposits and Investments:	
LGIP	\$ 10,658,959
Deposits	<u>8,002,885</u>
Total deposits and investments	<u>\$ 18,661,844</u>
Reconciliation to Statement of Net Position - Exhibit 1:	
Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 18,567,906
Cash and cash equivalents, restricted	93,553
Discretely presented component unit:	
Cash and cash equivalents	<u>385</u>
Total deposits and investments	<u>\$ 18,661,844</u>

External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Custodial Credit Risk:

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

Restricted Amounts:

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

NOTE 3 - RECEIVABLES:

Receivables are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 76,693	\$ -	\$ 76,693
Accounts	130,017	479,315	609,332
Gross receivables	\$ 206,710	\$ 479,315	\$ 686,025
Less: allowance for uncollectibles	(14,973)	-	(14,973)
Net receivables	<u>\$ 191,737</u>	<u>\$ 479,315</u>	<u>\$ 671,052</u>

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

The composition of interfund receivables and payables is as follows:

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General Fund	\$ -	\$ 11,598
EDA	11,598	-
Total	<u>\$ 11,598</u>	<u>\$ 11,598</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Personal property tax relief	\$ 21,626
Railroad rolling stock	16,523
Local sales taxes	28,310
Communication taxes	5,502
Mobile home	174
Rental tax	204
Gateway	<u>2,036</u>
Total	<u>\$ 74,375</u>

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 360,554	\$ -	\$ -	\$ 360,554
Construction in Progress	<u>98,152</u>	<u>621,523</u>	<u>14,582</u>	<u>705,093</u>
Total capital assets not being depreciated	<u>\$ 458,706</u>	<u>\$ 621,523</u>	<u>\$ 14,582</u>	<u>\$ 1,065,647</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,264,412	\$ 135,652	\$ -	\$ 3,400,064
Machinery and equipment	4,175,414	175,198	144,043	4,206,569
Public domain infrastructure	<u>5,471,660</u>	<u>44,825</u>	<u>-</u>	<u>5,516,485</u>
Total capital assets being depreciated	<u>\$ 12,911,486</u>	<u>\$ 355,675</u>	<u>\$ 144,043</u>	<u>\$ 13,123,118</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,566,057	\$ 85,289	\$ -	\$ 1,651,346
Machinery and equipment	2,965,563	229,967	144,043	3,051,487
Public domain infrastructure	<u>1,015,169</u>	<u>152,024</u>	<u>-</u>	<u>1,167,193</u>
Total accumulated depreciation	<u>\$ 5,546,789</u>	<u>\$ 467,280</u>	<u>\$ 144,043</u>	<u>\$ 5,870,026</u>
Total capital assets being depreciated, net	<u>\$ 7,364,697</u>	<u>\$ (111,605)</u>	<u>\$ -</u>	<u>\$ 7,253,092</u>
Governmental activities capital assets, net	<u>\$ 7,823,403</u>	<u>\$ 509,918</u>	<u>\$ 14,582</u>	<u>\$ 8,318,739</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 6 - CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in Progress	\$ 379,690	\$ 768,738	\$ 293,904	\$ 854,524
Total capital assets not being depreciated	<u>\$ 379,690</u>	<u>\$ 768,738</u>	<u>\$ 293,904</u>	<u>\$ 854,524</u>
Capital assets, being depreciated:				
Distributions and transmission systems	\$ 21,129,976	\$ 293,904	\$ -	\$ 21,423,880
Water and sewer plants	13,141,803	-	-	13,141,803
Machinery and equipment	<u>3,046,843</u>	<u>305,322</u>	<u>-</u>	<u>3,352,165</u>
Total capital assets being depreciated	<u>\$ 37,318,622</u>	<u>\$ 599,226</u>	<u>\$ -</u>	<u>\$ 37,917,848</u>
Less accumulated depreciation	<u>\$ 19,468,842</u>	<u>\$ 1,062,495</u>	<u>\$ -</u>	<u>\$ 20,531,337</u>
Total capital assets being depreciated, net	<u>\$ 17,849,780</u>	<u>\$ (463,269)</u>	<u>\$ -</u>	<u>\$ 17,386,511</u>
Business-type activities capital assets, net	<u><u>\$ 18,229,470</u></u>	<u><u>\$ 305,469</u></u>	<u><u>\$ 293,904</u></u>	<u><u>\$ 18,241,035</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 44,250
Public safety	69,605
Public works	281,926
Parks, recreation and cultural	<u>71,499</u>
Total governmental activities	<u><u>\$ 467,280</u></u>
Business-type activities:	
Water and sewer	<u>\$ 1,062,495</u>
Total business-type activities	<u><u>\$ 1,062,495</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bond	\$ 329,106	\$ -	\$ 14,570	\$ 314,536	\$ 14,949
Net pension liability	370,566	569,654	694,886	245,334	-
Net GLI OPEB liability	99,409	17,962	15,724	101,647	-
Compensated absences	101,248	-	2,691	98,557	73,918
Total Governmental Activities	<u>\$ 900,329</u>	<u>\$ 587,616</u>	<u>\$ 727,871</u>	<u>\$ 760,074</u>	<u>\$ 88,867</u>
Business-type Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bond	\$ 5,834,154	\$ -	\$ 267,440	\$ 5,566,714	\$ 274,661
Net pension liability	255,686	455,317	522,117	188,886	-
Net GLI OPEB liability	68,591	17,975	7,213	79,353	-
Compensated absences	69,553	5,438	-	74,991	56,244
Total Business-type Activities	<u>\$ 6,227,984</u>	<u>\$ 478,730</u>	<u>\$ 796,770</u>	<u>\$ 5,909,944</u>	<u>\$ 330,905</u>
Total Primary Government	<u>\$ 7,128,313</u>	<u>\$ 1,066,346</u>	<u>\$ 1,524,641</u>	<u>\$ 6,670,018</u>	<u>\$ 419,772</u>

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

Year Ending June 30,	Governmental Activities General Obligation Public Improvement Bond		Business-type Activities General Obligation Public Improvement Bond	
	Principal	Interest	Principal	Interest
	2020	\$ 14,949	\$ 8,178	\$ 274,661
2021	15,337	7,789	282,093	140,057
2022	15,737	7,390	289,844	132,383
2023	16,146	6,981	297,714	124,500
2024	16,566	6,562	305,794	116,402
2025	16,996	6,131	314,074	108,085
2026	17,438	5,689	322,672	99,541
2027	17,892	5,236	331,488	90,763
2028	18,356	4,770	340,394	81,747
2029	18,834	4,293	349,726	72,486
2030	19,323	3,803	359,257	62,972
2031	19,826	3,301	368,994	53,199
2032	20,341	2,785	379,029	43,160
2033	20,870	2,257	389,370	32,847
2034	21,412	1,714	399,908	22,254
2035	21,970	1,157	410,850	11,372
2036	22,543	586	150,846	3,922
Total	<u>\$ 314,536</u>	<u>\$ 78,622</u>	<u>\$ 5,566,714</u>	<u>\$ 1,343,216</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligation:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:		
Public Improvement Bonds:		
\$357,500 General Obligation Public Improvement Bond, Series 2016A, issued on January 29, 2016, principal payable in various annual installments beginning July 15, 2016 through January 15, 2036. Interest payable semiannually at 2.60%.	\$ 314,536	\$ 14,949
Business-type Activities:		
Public Improvement Bonds:		
\$2,392,500 General Obligation Public Improvement Bond, Series 2016A, issued on January 29, 2016, principal payable in various annual installments beginning July 15, 2016 through January 15, 2036. Interest payable semiannually at 2.60%.	\$ 2,104,964	\$ 100,041
\$3,961,960 General Obligation Public Improvement Refunding Bond, Series 2016B, issued on January 29, 2016, principal payable in various annual installments beginning July 15, 2016 through July 15, 2034. Interest payable semiannually at 2.75%.	3,461,750	174,620
Total business-type activities	\$ 5,566,714	\$ 274,661
Grand Total Primary Government	\$ 5,881,250	\$ 289,610

NOTE 8 - ENVIRONMENTAL REMEDIATION:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

NOTE 9 - PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	49
Inactive members:	
Vested inactive members	11
Non-vested inactive members	23
Inactive members active elsewhere in VRS	<u>26</u>
Total inactive members	60
Active members	<u>51</u>
Total covered employees	<u><u>160</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 10.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$226,704 and \$254,273 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (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:

Largest 10 - Non-Hazardous Duty:

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

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

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

NOTE 9 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 10,746,593	\$ 10,120,341	\$ 626,252
Changes for the year:			
Service cost	\$ 273,758	\$ -	\$ 273,758
Interest	727,256	-	727,256
Differences between expected and actual experience	(94,953)	-	(94,953)
Contributions - employer	-	252,960	(252,960)
Contributions - employee	-	111,543	(111,543)
Net investment income	-	740,814	(740,814)
Benefit payments, including refunds of employee contributions	(714,432)	(714,432)	-
Administrative expenses	-	(6,572)	6,572
Other changes	-	(652)	652
Net changes	\$ 191,629	\$ 383,661	\$ (192,032)
Balances at June 30, 2018	\$ 10,938,222	\$ 10,504,002	\$ 434,220

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Town of Altavista Net Pension Liability (Asset)	1,703,032	434,220	(633,232)

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$4,014. At June 30, 2019, 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	\$ 1,336	\$ 131,808
Change in assumptions	-	3,053
Net difference between projected and actual earnings on pension plan investments	-	82,237
Proportional change	58,787	58,787
Employer contributions subsequent to the measurement date	<u>226,704</u>	<u>-</u>
Total	<u>\$ 286,827</u>	<u>\$ 275,885</u>

\$226,704 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (73,207)
2021	(28,361)
2022	(105,216)
2023	(8,978)
Thereafter	-

Pension Plan Data

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 10 - SERVICE CONTRACTS:

Sewage Contract

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

NOTE 11 - PROPERTY TAXES:

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

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

NOTE 12 - RISK MANAGEMENT:

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

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2018-2019, total premiums paid were approximately \$61,722. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General liability and other insurance is provided through policies with the Virginia Municipal League. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$5,000,000 limit. Property insurance is covered per statement of values and is approximately \$25,000,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2019 were approximately \$62,980.

Healthcare coverage for employees is provided through a policy with Anthem. The Town contributes a percentage of the required premium amount for single coverage for each employee. The Town also pays a percentage of the coverage for dependents and spouses of employees. Total premiums paid for the year ended June 30, 2019 were approximately \$327,669.

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13 - MAJOR CUSTOMERS/TAXPAYERS:

During fiscal year 2019, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

NOTE 14 - FUND BALANCE:

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

<u>Category</u>	<u>General Fund</u>
Nonspendable:	
Inventory	\$ 60,749
Total Nonspendable	\$ 60,749
Restricted:	
Public Works	\$ 1,088,608
Community Development	99,955
Public Safety	9,438
Total Restricted	\$ 1,198,001
Committed:	
Community Development	\$ 270,283
Public Works	703,896
Other Capital Projects	3,679,069
Total Committed	\$ 4,653,248
Unassigned	\$ 11,943,492
Total Fund Balance	\$ 17,855,490

NOTE 15 - LITIGATION:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 16 - CONSTRUCTION COMMITMENTS:

The Town had the following significant outstanding construction commitments as of June 30, 2019:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Rt 43 Utility Project	\$ 366,352	\$ 334,710	\$ 31,642
Splash Pad	780,805	402,924	377,881
Wastewater Clarifier Replacement	270,399	82,036	188,363

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

Plan Description

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

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

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

Eligible Employees

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

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

Benefit Amounts

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$12,246 and \$11,865 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$181,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01191% as compared to 0.01119% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$3,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,000	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,000
Change in assumptions	-	8,000
Changes in proportion	10,000	-
Employer contributions subsequent to the measurement date	<u>12,246</u>	<u>-</u>
Total	<u>\$ 31,246</u>	<u>\$ 17,000</u>

\$12,246 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	1,000
2024	3,000
Thereafter	1,000

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions

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

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

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

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees: (Continued)

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

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

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered 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 Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 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	Increased rate from 60% to 85%

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 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	Decreased rate from 50% to 35%

Mortality Rates - JRS 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% 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 ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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 Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Long-Term Expected Rate of Return

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 236,000	\$ 181,000	\$ 136,000

GLI Program Fiduciary Net Position

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

NOTE 18—UPCOMING PRONOUNCEMENTS:

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

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

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 18—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No, 14 and No. 61, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

NOTE 19—ADOPTION OF ACCOUNTING PRINCIPLES:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 2,268,600	\$ 2,268,600	\$ 2,359,155	\$ 90,555
Other local taxes	1,706,700	1,712,800	1,798,870	86,070
Permits, privilege fees and regulatory licenses	15,500	15,500	22,300	6,800
Fines and forfeitures	9,200	9,200	15,742	6,542
Use of money and property	166,700	160,600	309,126	148,526
Charges for services	6,100	6,100	6,447	347
Miscellaneous	36,600	55,320	166,106	110,786
Intergovernmental	1,119,930	1,131,990	1,144,619	12,629
Total revenues	<u>\$ 5,329,330</u>	<u>\$ 5,360,110</u>	<u>\$ 5,822,365</u>	<u>\$ 462,255</u>
Expenditures				
Current:				
General Government Administration	\$ 1,302,700	\$ 1,321,550	\$ 992,842	\$ 328,708
Public Safety	1,175,800	1,170,930	1,109,508	61,422
Public Works	2,020,780	2,164,060	1,874,453	289,607
Parks, Recreation, and Cultural	213,300	1,199,580	808,649	390,931
Community Development	148,700	148,700	87,512	61,188
Debt service:				
Principal retirement	14,200	14,200	14,570	(370)
Interest and other fiscal charges	9,000	9,000	8,557	443
Total expenditures	<u>\$ 4,884,480</u>	<u>\$ 6,028,020</u>	<u>\$ 4,896,091</u>	<u>\$ 1,131,929</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 444,850</u>	<u>\$ (667,910)</u>	<u>\$ 926,274</u>	<u>\$ 1,594,184</u>
Other Financing Sources (Uses)				
Transfers in	\$ 33,500	\$ 1,146,260	\$ -	\$ (1,146,260)
Transfers out	(478,350)	(478,350)	-	478,350
Net Transfers	<u>\$ (444,850)</u>	<u>\$ 667,910</u>	<u>\$ -</u>	<u>\$ (667,910)</u>
Net change in fund balance	\$ -	\$ -	\$ 926,274	\$ 926,274
Fund balance, beginning of year	-	-	16,929,216	16,929,216
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,855,490</u>	<u>\$ 17,855,490</u>

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

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

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

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

Schedule of Employer Contributions
 For the Measurement Dates of June 30, 2014 through June 30, 2018

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 226,704	\$ 226,704	\$ -	\$ 2,354,916	9.63%
2018	254,273	254,273	-	2,264,416	11.23%
2017	232,267	232,267	-	2,062,716	11.26%
2016	218,896	218,896	-	2,000,874	10.94%
2015	223,684	223,684	-	2,057,442	10.87%
2014	234,784	234,784	-	2,126,666	11.04%
2013	245,548	245,548	-	2,224,162	11.04%
2012	120,144	120,144	-	2,089,462	5.75%
2011	120,275	120,275	-	2,091,739	5.75%
2010	63,028	63,028	-	1,994,562	3.16%

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

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

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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

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

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2019

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

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

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

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

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

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered 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	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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 fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

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Statement of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
War Memorial Donation Fund:				
Assets:				
Cash and cash equivalents	\$ <u>1,044</u>	\$ <u>3</u>	\$ <u>-</u>	\$ <u>1,047</u>
Total assets	\$ <u><u>1,044</u></u>	\$ <u><u>3</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,047</u></u>
Liabilities:				
Amounts held for others	\$ <u>1,044</u>	\$ <u>3</u>	\$ <u>-</u>	\$ <u>1,047</u>
Total liabilities	\$ <u><u>1,044</u></u>	\$ <u><u>3</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,047</u></u>

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- Supporting Statements -

Discretely Presented Component Unit - Altavista Economic Development Authority

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Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Net Position
At June 30, 2019

Assets:

Current assets:

Cash and cash equivalents	\$	385
Due from primary government		<u>11,598</u>
Total current assets	\$	<u>11,983</u>
Total assets	\$	<u><u>11,983</u></u>

Net Position:

Unrestricted	\$	<u>11,983</u>
Total net position	\$	<u>11,983</u>
Total liabilities and net position	\$	<u><u>11,983</u></u>

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended June 30, 2019

Operating expenses:

Other expenses	\$ <u>55,000</u>
Total operating expenses	\$ <u>55,000</u>
Operating income (loss)	\$ <u>(55,000)</u>

Nonoperating revenues (expenses):

Contributions from primary government	\$ 55,000
Interest income	<u>106</u>
Total nonoperating revenues (expenses)	\$ <u>55,106</u>
Change in net position	\$ 106
Net position, beginning of year	<u>11,877</u>
Net position, end of year	\$ <u><u>11,983</u></u>

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Cash Flows
 For the Year Ended June 30, 2019

Cash flows from operating activities:	
Payments for other expenses	\$ <u>(55,000)</u>
Net cash provided by (used for) operating activities	\$ <u>(55,000)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	\$ <u>55,000</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>55,000</u>
Cash flows from investing activities:	
Interest income	\$ <u>3</u>
Net cash provided by (used for) investing activities	\$ <u>3</u>
Increase (decrease) in cash and cash equivalents	\$ 3
Cash and cash equivalents at beginning of year	<u>382</u>
Cash and cash equivalents at end of year	\$ <u><u>385</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (55,000)
Changes in operating assets and liabilities:	<u>-</u>
Net cash provided by (used for) operating activities	\$ <u><u>(55,000)</u></u>

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STATISTICAL INFORMATION

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Miscellaneous	Inter-governmental	Total
2018-19	\$ 2,359,155	\$ 1,798,870	\$ 22,300	\$ 15,742	\$ 309,126	\$ 172,553	\$ 1,144,619	\$ 5,822,365
2017-18	2,242,580	1,732,997	21,036	21,354	182,624	298,559	1,169,613	5,668,763
2016-17	2,188,255	1,765,088	17,120	16,192	174,066	146,098	1,057,758	5,364,577
2015-16	2,336,643	1,441,096	16,119	13,580	160,237	131,546	1,103,313	5,202,534
2014-15	2,252,683	1,451,768	15,610	7,704	154,913	63,718	1,118,273	5,064,669
2013-14	2,254,794	1,387,308	16,100	16,413	162,759	112,921	1,735,428	5,685,723
2012-13	2,160,291	1,392,295	21,770	33,736	137,327	73,607	1,281,712	5,100,738
2011-12	2,150,003	1,316,552	16,915	28,577	98,531	70,521	1,412,204	5,093,303
2010-11	2,198,629	1,346,196	1,160	14,942	39,371	143,427	2,016,179	5,759,904
2009-10	2,162,977	1,319,767	660	9,747	78,263	151,693	1,258,475	4,981,582

(1) Consists solely of general fund revenues.

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation and Cultural	Community Development (2)	Capital Outlay	Debt Service	Total
2018-19	\$ 992,842	\$ 1,109,508	\$ 1,874,453	\$ 808,649	\$ 87,512	\$ -	\$ 23,127	\$ 4,896,091
2017-18	1,170,324	1,068,124	2,252,048	415,922	\$ 52,253	-	23,127	4,981,798
2016-17	961,380	924,785	1,611,302	206,382	\$ 195,393	-	23,127	3,922,369
2015-16	897,077	924,201	1,824,969	160,788	158,322	15,000	-	3,980,357
2014-15	940,671	872,280	1,189,343	159,973	68,319	86,330	-	3,316,916
2013-14	906,012	807,277	1,410,763	145,437	164,926	896,230	-	4,330,645
2012-13	913,188	908,466	1,425,426	171,119	75,732	316,366	56,571	3,866,868
2011-12	942,180	1,536,328	1,816,541	260,844	-	595,155	292,356	5,443,404
2010-11	798,637	965,170	1,092,989	287,332	-	1,654,469	82,770	4,881,367
2009-10	873,090	809,229	1,100,745	407,280	-	1,000,165	82,771	4,273,280

(1) Consists solely of general fund expenditures.

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

Computation of Legal Debt Limit
June 30, 2019

Assessed value of real estate, January 1, 2018	\$ <u>276,743,593</u>
Legal debt limit, (10% of \$276,743,593)	\$ 27,674,359
Total bonded debt	<u>5,881,250</u>
Legal debt margin	\$ <u>21,793,109</u>

TOWN OF ALTAVISTA, VIRGINIA

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues:			
General property taxes	\$ 2,162,977	\$ 2,198,629	\$ 2,150,003
Other local taxes	1,319,767	1,346,196	1,316,552
Permits, privilege fees and regulatory licenses	660	1,160	16,915
Fines and forfeitures	9,747	14,942	28,577
Revenue from use of money and property	78,619	39,371	98,576
Charges for services	38,614	24,193	5,867
Miscellaneous	113,079	119,234	64,654
Intergovernmental	1,258,475	2,016,179	1,412,204
Total revenues	<u>\$ 4,981,938</u>	<u>\$ 5,759,904</u>	<u>\$ 5,093,348</u>
Expenditures:			
General government administration	\$ 873,090	\$ 798,637	\$ 942,180
Public safety	809,229	965,170	1,536,328
Public works	1,100,745	1,092,989	1,816,541
Parks, recreation, and cultural	420,437	308,698	278,255
Community development	-	-	-
Capital outlay	1,047,267	1,806,852	595,155
Debt service:			
Principal retirement	59,614	63,269	280,378
Interest and other fiscal charges	23,157	19,501	11,978
Total expenditures	<u>\$ 4,333,539</u>	<u>\$ 5,055,116</u>	<u>\$ 5,460,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 648,399</u>	<u>\$ 704,788</u>	<u>\$ (367,467)</u>
Other financing sources (uses):			
Transfers in	\$ 45,947	\$ 16,045	\$ 577,419
Transfers (out)	(109,151)	(443,145)	(620,819)
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	<u>\$ (63,204)</u>	<u>\$ (427,100)</u>	<u>\$ (43,400)</u>
Special Items:			
Sale of shell building	\$ -	\$ -	\$ -
Net changes in fund balances	\$ 585,195	\$ 277,688	\$ (410,867)
Fund balance, beginning	<u>9,065,919</u>	<u>9,651,114</u>	<u>9,928,802</u>
Fund balance, ending	<u>\$ 9,651,114</u>	<u>\$ 9,928,802</u>	<u>\$ 9,517,935</u>

Table 4

	2013	2014	2015	2016	2017	2018	2019
\$	2,160,291	\$ 2,254,794	\$ 2,252,683	\$ 2,336,643	\$ 2,188,255	\$ 2,242,580	\$ 2,359,155
	1,392,295	1,387,308	1,451,768	1,441,096	1,765,088	1,732,997	1,798,870
	21,770	16,100	15,610	16,119	17,120	21,036	22,300
	33,736	16,413	7,704	13,580	16,192	21,354	15,742
	137,327	162,759	154,913	160,237	174,066	182,624	309,126
	6,652	7,309	6,970	7,080	4,578	6,358	6,447
	66,955	105,612	56,748	124,466	141,520	292,201	166,106
	1,281,712	1,735,428	1,118,273	1,103,313	1,057,758	1,169,613	1,144,619
\$	5,100,738	\$ 5,685,723	\$ 5,064,669	\$ 5,202,534	\$ 5,364,577	\$ 5,668,763	\$ 5,822,365
\$	913,188	\$ 906,012	\$ 940,671	\$ 897,077	\$ 961,380	\$ 1,170,324	\$ 992,842
	908,466	807,277	872,280	924,201	924,785	1,068,124	1,109,508
	1,425,426	1,410,763	1,189,343	1,824,969	1,611,302	2,252,048	1,874,453
	171,119	145,437	159,973	160,788	206,382	415,922	808,649
	75,732	164,926	68,319	158,322	195,393	52,253	87,512
	316,366	896,230	86,330	15,000	-	-	-
	52,870	-	-	-	14,193	14,201	14,570
	3,701	-	-	-	8,934	8,926	8,557
\$	3,866,868	\$ 4,330,645	\$ 3,316,916	\$ 3,980,357	\$ 3,922,369	\$ 4,981,798	\$ 4,896,091
\$	1,233,870	\$ 1,355,078	\$ 1,747,753	\$ 1,222,177	\$ 1,442,208	\$ 686,965	\$ 926,274
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	(551,270)	(83,000)	-	-	-	-	-
	-	-	-	357,500	-	-	-
\$	(551,270)	\$ (83,000)	\$ -	\$ 357,500	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	682,600	\$ 1,272,078	\$ 1,747,753	\$ 1,579,677	\$ 1,442,208	\$ 686,965	\$ 926,274
	9,517,935	10,200,535	11,472,613	13,220,366	14,800,043	16,242,251	16,929,216
\$	10,200,535	\$ 11,472,613	\$ 13,220,366	\$ 14,800,043	\$ 16,242,251	\$ 16,929,216	\$ 17,855,490

TOWN OF ALTAVISTA, VIRGINIA

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating revenues:				
Charges for services	\$ 2,357,531	\$ 2,436,783	\$ 2,473,022	\$ 2,490,550
Other	43,566	20,901	35,112	34,859
Total operating revenues	<u>\$ 2,401,097</u>	<u>\$ 2,457,684</u>	<u>\$ 2,508,134</u>	<u>\$ 2,525,409</u>
Operating expenses:				
Salaries	\$ 784,417	\$ 767,291	\$ 784,016	\$ 830,583
Fringe benefits	226,524	243,451	247,986	262,470
Maintenance	78,773	76,241	57,994	43,594
Utilities	389,940	400,263	434,211	413,835
Materials and supplies	322,200	314,191	305,291	294,745
Sample testing	13,889	12,111	16,581	17,242
Purchase of water	2,244	8,110	7,553	4,007
Other	13,434	36,468	96,733	51,397
Depreciation	624,286	675,160	733,329	713,319
Amortization	4,064	4,064	54,122	-
Total operating expenses	<u>\$ 2,459,771</u>	<u>\$ 2,537,350</u>	<u>\$ 2,737,816</u>	<u>\$ 2,631,192</u>
Operating income (loss)	<u>\$ (58,674)</u>	<u>\$ (79,666)</u>	<u>\$ (229,682)</u>	<u>\$ (105,783)</u>
Nonoperating revenues (expenses):				
Interest revenue	\$ 20,950	\$ 10,911	\$ 4,480	\$ 3,388
Interest expense	(131,903)	(107,875)	(60,385)	-
Bond issuance costs	-	-	-	-
Fluoride grant	-	-	27,292	-
Total nonoperating revenues (expenses)	<u>\$ (110,953)</u>	<u>\$ (96,964)</u>	<u>\$ (28,613)</u>	<u>\$ 3,388</u>
Income (loss) before transfers	<u>\$ (169,627)</u>	<u>\$ (176,630)</u>	<u>\$ (258,295)</u>	<u>\$ (102,395)</u>
Transfers in	<u>\$ 73,161</u>	<u>\$ 427,100</u>	<u>\$ 43,400</u>	<u>\$ 551,270</u>
Net changes in net position	<u>\$ (96,466)</u>	<u>\$ 250,470</u>	<u>\$ (214,895)</u>	<u>\$ 448,875</u>
Net position, beginning, as restated*	<u>12,684,265</u>	<u>12,587,799</u>	<u>12,838,169</u>	<u>12,623,374</u>
Net position, ending	<u>\$ 12,587,799</u>	<u>\$ 12,838,269</u>	<u>\$ 12,623,274</u>	<u>\$ 13,072,249</u>

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

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

Table 5

	2014	2015	2016	2017	2018	2019
\$	2,718,048	\$ 2,913,734	\$ 3,078,713	\$ 3,583,925	\$ 3,473,705	\$ 3,702,997
	36,534	21,282	176,432	20,928	39,075	22,917
\$	2,754,582	\$ 2,935,016	\$ 3,255,145	\$ 3,604,853	\$ 3,512,780	\$ 3,725,914
\$	847,398	\$ 816,887	\$ 777,599	\$ 869,765	\$ 982,232	\$ 1,031,852
	268,289	235,766	211,174	272,208	242,237	271,896
	32,722	44,888	157,404	370,678	303,183	260,609
	431,410	432,098	439,451	448,587	456,681	487,356
	290,007	367,905	370,002	395,891	409,434	509,612
	23,847	14,247	10,799	18,155	19,790	24,840
	3,910	10,428	74,200	92,220	43,300	31,283
	54,120	82,190	98,522	165,686	259,565	92,903
	709,287	772,296	782,614	1,058,183	1,046,025	1,062,495
	-	-	-	-	-	-
\$	2,660,990	\$ 2,776,705	\$ 2,921,765	\$ 3,691,373	\$ 3,762,447	\$ 3,772,846
\$	93,592	\$ 158,311	\$ 333,380	\$ (86,520)	\$ (249,667)	\$ (46,932)
\$	2,376	\$ 11,390	\$ 10,396	\$ 4,607	\$ 6,483	\$ 21,011
	-	(17,448)	(20,728)	(130,406)	(158,688)	(151,432)
	-	(30,469)	(44,300)	-	-	-
	-	-	7,395	24,881	30,458	-
\$	2,376	\$ (36,527)	\$ (47,237)	\$ (100,918)	\$ (121,747)	\$ (130,421)
\$	95,968	\$ 121,784	\$ 286,143	\$ (187,438)	\$ (371,414)	\$ (177,353)
\$	83,000	\$ -	\$ -	\$ -	\$ -	\$ -
\$	178,968	\$ 121,784	\$ 286,143	\$ (187,438)	\$ (371,414)	\$ (177,353)
	13,072,249	12,909,062	13,030,846	13,316,989	13,071,631	12,700,217
\$	13,251,217	\$ 13,030,846	\$ 13,316,989	\$ 13,129,551	\$ 12,700,217	\$ 12,522,864

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COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Altavista, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Altavista, Virginia's basic financial statements, and have issued our report thereon dated October 21, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Town of Altavista, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates
Charlottesville, Virginia
October 21, 2019

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Responses
For The Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

2019-001: Segregation of Duties (Material Weakness)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Management's Response:

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

Section III - Status of Prior Year Financial Statement Findings

2018-001: Segregation of Duties (Material Weakness)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Management's Response:

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

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