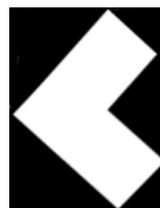


Town of Lawrenceville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2018



Creedle, Jones
& Alga, P.C.
Certified Public Accountants

Town of Lawrenceville, Virginia

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FINANCIAL SECTION



**Creedle
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& Alga**

A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Lawrenceville, 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, and each major fund of the Town of Lawrenceville, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Lawrenceville, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, and each major fund of the Town of Lawrenceville, Virginia, as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 11 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions – VRS pension, notes to required supplementary information – VRS pension, schedule of employer's share of net OPEB liability group life insurance program, schedule of employer contributions for VRS OPEB GLI, notes to required supplementary information VRS OPEB GLI, schedule of changes in the political subdivision's net HIC OPEB liability and related ratios, schedule of employer contributions VRS HIC OPEB, and notes to required supplementary information VRS HIC OPEB on pages 69 through 83 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.

Other Information

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

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

The other 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the Town of Lawrenceville, 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 Lawrenceville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lawrenceville, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
March 5, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Lawrenceville, Virginia presents the following discussion and analysis as an overview of the Town of Lawrenceville, Virginia's financial activities for the fiscal year ending June 30, 2018. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

MANAGER'S STATEMENT

The total net position of the Town of Lawrenceville, Virginia, increased by \$210,560 from \$19,252,887 at June 30, 2017 to \$19,463,447 at June 30, 2018. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, net position, can be used as one way to measure the Town's financial health, or financial condition. Over time, increases or decreases in the total net position can be one indicator of whether the Town's financial condition is improving or deteriorating.

While we are pleased with the Town's increase in total net position during fiscal year 2018, \$808,549 was needed to make principal debt repayments that the Town was obligated to pay during fiscal year 2018. While the reduction in debt is reflected as an increase in net position, the fact is that the Town is obligated to make these principal payments and must generate sufficient cash to meet these debt obligations. The Town is scheduled to reduce debt principal by \$757,543 during fiscal year 2019. During prior years, the Town did borrow \$6,781,000 to fund a debt restructuring and to complete the funding for the Downtown Project, the water plant upgrade for Dominion Power, and the water line associated with the Dominion Power Project and the repayment began in FY 2016. A Bond was issued in October 2016 for \$1,371,000 to match the Dominion Power sewer connection fee for construction at the WWTP to improve the quality of water that is discharged into Rose Creek. The construction began in November 2016 and lasted through FY 2018, with final payment occurring in FY 2019. The total project cost for the WWTP project is \$2,630,495, utilizing the bond money first and then the remainder of funds coming from the Dominion Power sewer connection fee.

The total borrowed debt obligation that the Town had as of June 30, 2018, was \$7,055,566 as compared to \$7,758,101 on June 30, 2017. The Town borrowed a significant amount of money during FY 2014 to complete the construction of several projects that were undertaken. The Town of Lawrenceville began to pay off Bond Series C beginning in FY 2015 and will complete the payoff in FY 2020. Even though the usage numbers provided by Dominion were not correct, the Town has covered the debt service thus far. The Dominion Power Generation Station went to commercial operation during April 2016. After 2014 Bond Series C is paid off in FY 2020, the debt repayment drops off significantly.

Other debts owed by the Town as of June 30, 2018 include: a 1999 bond used to expand and upgrade the water plant with a balance of \$54,845 as of June 30, 2018 and the bonds dated 2002 (refinanced in 2010) for water and sewer improvement projects to correct I & I problems and other maintenance issues with a balance due of \$545,000 for the improvements as of June 30, 2018.

Depreciation expense amounted to \$629,316 for fiscal year 2018. While depreciation is a noncash expense, it recognizes the reduction in value of the Town's capital assets as these assets age. Over time, depreciation expense might approximate the capital expenditures required to maintain the current infrastructure. Capital expenditures totaled \$1,890,401 during FY 2018. Of this amount, \$1,774,362 was expended to upgrade the wastewater plant. Other capital expenditures included \$106,015 for the purchase of a compact track loader for water, sewer, and public works as a lease/purchase, a heat pump for one zone of the Town office, and about \$10,000 for e-summons equipment of the police department.

Other capital projects remained limited during the year. Town efforts were focused on completing the phase one wastewater plant upgrade needed to stay in compliance with the Town's discharge permit, and with repaying existing debt. Town Council last increased water and sewer rates ten percent on July 1, 2016, and by five percent on July 2018.

During FY 2018, the reassessment of real estate within the Town was completed by the Brunswick County Commissioner of the Revenue. The real estate and improvements within the Town reflected a decrease in value that would impact future years. The Town Council, after advertising, increased the tax rate for the FY 2019 budget to offset the decrease in values. The campus of Saint Paul's College also became a taxable property as the property changed hands and was no longer an educational institution. As part of the budget process for future years, the Town Council voted to discontinue the sale of vehicle decals, and voted to establish a Vehicle License fee that will be collected as part of the personal property tax bill. During FY 2018, the Town Council also adopted the Electronic Summons ordinance in order to recapture funding for the equipment used to issue the electronic summons. The money for the e-summons is held in a separate restricted account that can only be used for the e-summons equipment and repairs to that equipment.

Water and sewer revenues accounted for three fourths of total Town revenues in fiscal year 2018, excluding proceeds from grants. During fiscal year 2018, no funds were transferred from the Water and Sewer fund to the General fund. However, many expenses included in the General fund, particularly payroll expenses, involve time dedicated to water and sewer issues. In December of 2009, Brunswick County and the Brunswick County Industrial Development Authority approached the Town about forming an authority for water and sewer to serve the Meherrin River Regional Jail that was going to be located in Alberta off Highway 1 and Interstate 85. After several months of negotiations, the Town agreed to provide water and sewer to the proposed Meherrin River Regional Jail. The Town, County, IDA, and the MRRJA signed agreements on May 30, 2010, to provide the treatment of water and wastewater in the amount of 100,000 gallons per day. The Town is now responsible for the maintenance of the new utility lines installed to service the facility, but the Brunswick County IDA still owns the lines. The discharge point for the sewer into the Town's system, while not the optimum choice to utilize the recent investment to upsize collection lines, can currently handle the proposed flow from the Regional Jail. The Town's system will not be able to handle amounts more than what has been agreed to without studies from an engineer. The Town began to realize revenue from this project as the MRRJA opened in July 2012. The actual flows of water and wastewater are less than 25,000 gallons per day, which is less than one-half of the projected flow amounts based on the information provided to the Town from the IDA's engineering consultants. At the Meherrin River Regional Jail, the addition of a 250,000-gallon water storage tank increased the likelihood of Disinfection Byproducts. Testing on the IDA North water system has given results that make this an issue, and it will have to be addressed in the future.

On February 20, 2013, Brunswick County, the County IDA, and the Town of Lawrenceville signed an agreement to allow the Alberta Collection system to connect to the MRRJA pump station for treatment of wastewater at the Town of Lawrenceville wastewater treatment plant. In March 2013, the Town of Alberta applied for CDBG funding to correct I & I issues and other water issues within their system. On June 10, 2013, the Town of Lawrenceville and the Town of Alberta signed an agreement for Lawrenceville to assume the ownership, operation, and maintenance of the Alberta systems. At the end of June 2013, the State notified the Town of Alberta that the grant would be funded. During FY 2014, Alberta was connected to the MRRJA sewer pump station utilizing the grant funding. I & I correction work began and was completed in FY 2015, utilizing the grant funding with Lawrenceville supplying some of the match money. The engineers have shown that this work corrected significant I & I issues on the Alberta collection system.

Dominion Virginia Power announced in February 2012 that they would be constructing a 1358 Megawatt gas fired generating station just east of Lawrenceville. The anticipated water usage will range from 250,000 to 1,200,000 gallons per day. The sewer flow is anticipated to be 20% of the water flow. The contract negotiations for the water and sewer services to the generating plant were completed August 30, 2012. Dominion Power has paid, in installments, the connection fee of \$4,000,000 for the water connection and \$2,250,000 for the wastewater connection. The Town received the last payment for these connections during FY 2016 in the amount of \$250,000 for the final payment on the water connection at the water plant expansion job closeout. In FY 2017, the Town did realize the first full year of revenue from the Dominion Project as the power plant went commercial in late April of 2016. The Town realized \$419,262 from the Dominion water and sewerage usage fees during FY 2018. The DVP revenue is falling very short of projections provided during the contract negotiation phase. The Town previously secured a planning grant from VDH in the amount of \$33,000 to study disinfection byproducts within the three systems, with Lawrenceville

supplying \$2,000. The Town interviewed engineering firms and selected Hurt & Proffitt to conduct the study. The study was completed, submitted to VDH and during FY 2018, the Town received reimbursement of \$16,500 from the grant sources. Also related to this, previously the Town was successful in obtaining a Tobacco Indemnification and Community Revitalization grant for the engineering and specification development for an expansion of the wastewater treatment plant. The plans and specifications are complete and this is now a shovel-ready project waiting for funding. The Town's grant for the Downtown project utilized \$34,130 in grant funding to complete the façade work on businesses within the Downtown Business District.

The Town has been able to sustain low utility rates by having several large users on the system that are able to fund a large portion of the Town's fixed operating costs. The overestimations of usage by new customers and outside engineers have impacted the Town revenues, particularly for the Dominion project. The Town Council voted to raise the water and sewer rates to all customers with an effective date of July 1, 2016, and again on July 1, 2018. The Town of Lawrenceville assumed the assets and liabilities of the Town of Alberta's water and sewer infrastructure on July 1, 2014. Public Works has been evaluating the Alberta Distribution and collection system to find improvements that may be needed.

Future anticipated projects and needs include: upgrading the water line to the Alberta pump station in order to deliver 500 gpm to the Alberta and interstate area; water line extensions along Lawrenceville Hills, Blueberry Court, Rose Drive, and Poorhouse Road; replacing the thirty fire hydrants that are not in compliance with the Lawrenceville standard; upgrade the wastewater treatment plant to have more capacity than the water plant; upgrade water distribution system within the Town of Alberta; upgrade aging vehicle fleet in the Public Works departments; purchase several real estate properties that are key to Town improvements; fund a full-time code enforcement official position; plans to turn the old shop into a place for a rest stop for the Rails to Trails; developing the old Turntable area into a park after purchasing the property from Norfolk and Southern Railroad; resolution to the recent testing of the IDA North water system that indicates an issue with TTHMs; and other possible water and sewer problems that may surface as a result of the aging infrastructure in the ground.

The Town has successfully funded many projects over a period of years and has been successful at expanding the utility system through grants and connection fees without having to increase rates to support the expansion and, in part, due to the large water and sewer users on the system. With the greater growth potential around the southern end of the County, the Town should strategically plan how to expand into unserved areas with the least impact on the current consumers. The Town employs 22 full-time and 10 part-time people. Of the part-time employees, one works at the Town office, three are in the Public Works department, three summer employees, one works at the water plant, and two work at the wastewater plant. We are grateful for the dedication, knowledge, and hard work that these people devote to our Town. The Town has an aging workforce that is approaching retirement age. In the coming years, the Town will face the replacement of key people within the workforce. The upcoming budgets should include more training funds and more travel expenses.

The Town's management desires to maintain rates and fees at levels that provide needed services to Town citizens and other users at a good value while at the same time keeping rates and fees at sufficient levels to maintain the financial health of the Town and to provide funds to properly maintain the Town's infrastructure.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities, excluding its Component Unit, exceeded its liabilities and deferred inflows of resources by \$2,160,401. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$17,303,046.
- The Town's total net position increased by \$210,560 during the current fiscal year. Of this amount, a decrease of \$376,824 is related to governmental activities and an increase of \$597,384 is attributed to business-type activities.
- As of June 30, 2018, the Town's Governmental Funds reported a combined ending fund balance deficit of \$(231,970), a decrease of \$321,079 in comparison with the prior year.
- At the end of fiscal year 2018, the general fund unassigned fund balance was a deficit of \$(304,637).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, and community development. Public utilities represent the business-type activities.

Furthermore, the government-wide financial statements include a legally separate entity, the Economic Development Authority of the Town of Lawrenceville, Virginia, for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single aggregated presentation.

The Town has two types of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Revenue Cemetery Fund, both of which are considered to be major funds.

Proprietary Funds – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the Town's other postemployment benefits as required supplementary information. The Town has elected to include this information within the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and other assets	\$ 340,538	\$ 320,435	\$ 2,515,672	\$ 3,262,447	\$ 2,856,210	\$ 3,582,882
Capital assets (net)	<u>2,890,191</u>	<u>2,913,215</u>	<u>21,954,748</u>	<u>20,670,640</u>	<u>24,844,939</u>	<u>23,583,855</u>
Total Assets	3,230,729	3,233,650	24,470,420	23,933,087	27,701,149	27,166,737
Deferred Outflows of Resources						
	<u>54,534</u>	<u>119,680</u>	<u>51,032</u>	<u>100,698</u>	<u>105,566</u>	<u>220,378</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,285,263</u>	<u>\$ 3,353,330</u>	<u>\$ 24,521,452</u>	<u>\$ 24,033,785</u>	<u>\$ 27,806,715</u>	<u>\$ 27,387,115</u>
Liabilities						
Other liabilities	\$ 560,832	\$ 248,687	\$ 56,176	\$ 176,252	\$ 617,008	\$ 424,939
Long-term liabilities	<u>462,074</u>	<u>562,139</u>	<u>7,076,214</u>	<u>7,143,726</u>	<u>7,538,288</u>	<u>7,705,865</u>
Total Liabilities	1,022,906	810,826	7,132,390	7,319,978	8,155,296	8,130,804
Deferred Inflows of Resources						
	101,956	5,279	86,016	(1,855)	187,972	3,424
Net Position						
Net investment in capital assets	2,701,004	2,780,036	15,088,369	13,045,718	17,789,373	15,825,754
Restricted	-	-	1,544,843	3,167,618	1,544,843	3,167,618
Unrestricted (deficit)	<u>(540,603)</u>	<u>(242,811)</u>	<u>669,834</u>	<u>502,326</u>	<u>129,231</u>	<u>259,515</u>
Total Net Position (Deficit)	<u>2,160,401</u>	<u>2,537,225</u>	<u>17,303,046</u>	<u>16,715,662</u>	<u>19,463,447</u>	<u>19,252,887</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,285,263</u>	<u>\$ 3,353,330</u>	<u>\$ 24,521,452</u>	<u>\$ 24,033,785</u>	<u>\$ 27,806,715</u>	<u>\$ 27,387,115</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2018 and 2017

	Governmental 2018	Activities 2017	Business-Type 2018	Activities 2017	Total Primary Government 2018	2017
Revenues						
Program Revenues						
Charges for services	\$ 139,498	\$ 153,199	\$ 2,682,308	\$ 3,023,811	\$ 2,821,806	\$ 3,177,010
Operating grants and contributions	126,664	117,739	102,700	102,700	229,364	220,439
General Revenues						
General property taxes, real and personal	180,851	258,268	-	-	180,851	258,268
Other taxes	371,268	427,702	-	-	371,268	427,702
Grants and contributions not restricted to specific programs	87,349	14	-	-	87,349	14
Unrestricted revenue from use of money and property	35,100	10,833	-	-	35,100	10,833
Investment earnings	2,101	887	7,134	11,120	9,235	12,007
Miscellaneous	120,020	145,129	-	-	120,020	145,129
Total Revenues	1,062,851	1,113,771	2,792,142	3,137,631	3,854,993	4,251,402
Expenses						
General government administration	262,246	375,870	-	-	262,246	375,870
Public safety	638,383	666,675	-	-	638,383	666,675
Public works	434,467	521,535	-	-	434,467	521,535
Parks, recreation, and cultural	6,189	-	-	-	6,189	-
Community development	88,022	72,127	-	-	88,022	72,127
Water and sewer	-	-	2,204,758	2,716,623	2,204,758	2,716,623
Interest on long-term debt	10,368	5,264	-	-	10,368	5,264
Total Expenses	1,439,675	1,641,471	2,204,758	2,716,623	3,644,433	4,358,094
Change in Net Position Before Transfers	(376,824)	(527,700)	587,384	421,008	210,560	(106,692)
Transfers	-	9,674	-	(9,674)	-	-
Change in Net Position	(376,824)	(518,026)	587,384	411,334	210,560	(106,692)
Beginning Net Position (Restated)	2,537,225	269,873	16,715,662	18,424,225	19,252,887	18,694,098
Restatement	-	2,785,378	-	(2,119,897)	-	665,481
Ending Net Position (Deficit)	\$ 2,160,401	\$ 2,537,225	\$ 17,303,046	\$ 16,715,662	\$ 19,463,447	\$ 19,252,887

Governmental activities decreased the Town's net position by \$376,824 for fiscal year 2018. Revenues from governmental activities totaled \$1,062,851. Other taxes comprise the largest source of these revenues, totaling \$371,268 or 34.93% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,439,675. Public safety was the Town's largest program with expenses totaling \$638,383. Public works, which totals \$434,467, represents the second largest expense.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

	2018		2017	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 262,246	\$ (262,246)	\$ 375,870	\$ (292,151)
Public safety	638,383	(520,425)	666,675	(502,613)
Public works	434,467	(320,370)	521,535	(521,535)
Parks, recreation, and cultural	6,189	(5,689)	-	-
Community development	88,022	(54,415)	72,127	(48,970)
Interest on long-term debt	<u>10,368</u>	<u>(10,368)</u>	<u>5,264</u>	<u>(5,264)</u>
Total	<u>\$ 1,439,675</u>	<u>\$ (1,173,513)</u>	<u>\$1,641,471</u>	<u>\$ (1,370,533)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported a combined ending fund balance deficit of \$(231,970). The combined governmental fund balance decreased \$321,079 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance deficit of \$(304,637).

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>Original</u>	<u>2018</u> <u>Final</u>	<u>Actual</u>	<u>Original</u>	<u>2017</u> <u>Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	<u>Budget</u>	
Revenues						
Taxes	\$ 233,000	\$ 233,000	\$ 189,483	\$ 233,000	\$ 233,000	\$ 262,465
Other	651,600	651,600	700,689	658,500	658,500	730,129
Intergovernmental	<u>345,912</u>	<u>345,912</u>	<u>214,013</u>	<u>344,966</u>	<u>344,966</u>	<u>117,753</u>
Total Revenues	1,230,512	1,230,512	1,104,185	1,236,466	1,236,466	1,110,347
Expenditures	<u>1,802,367</u>	<u>1,802,367</u>	<u>1,531,766</u>	<u>2,009,516</u>	<u>2,009,516</u>	<u>1,555,277</u>
Excess (Deficiency) of Revenues over Expenditures	(571,855)	(571,855)	(427,581)	(773,050)	(773,050)	(444,930)
Other Financing Sources (Uses)						
Contingency/surplus	574,855	574,855	-	763,376	763,376	-
Issuance of debt	-	-	106,014	-	-	-
Transfers outs	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>	<u>9,674</u>	<u>9,674</u>	<u>9,674</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (321,567)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (435,256)</u>

Actual revenues were less than final budget amounts by \$126,327, or 10.27%, while actual expenditures were \$270,601, or 15.01% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2018, the Town's governmental activities net capital assets total \$2,890,191, which represents a net decrease of \$23,024 or 0.79% over the previous fiscal year-end balance. The business-type activities net capital assets total \$21,954,748, a net increase of \$1,284,109 or 6.12% over the previous fiscal year. The Component Unit EDA's net capital assets total \$383,865, a net decrease of \$1,906 or 0.49% from the previous fiscal year as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Land and land improvements	\$ 1,205,925	\$ -	\$ 1,205,925
Buildings and improvements	1,004,662	-	1,004,662
Infrastructure - streets, sidewalks, and systems	1,057,357	-	1,057,357
Furniture, equipment, and vehicles	<u>2,219,214</u>	<u>116,039</u>	<u>2,335,253</u>
Total Capital Assets	5,487,158	116,039	5,603,197
Less: Accumulated depreciation and amortization	<u>(2,573,943)</u>	<u>(139,063)</u>	<u>(2,713,006)</u>
Net Capital Assets	<u>\$ 2,913,215</u>	<u>\$ (23,024)</u>	<u>\$ 2,890,191</u>

Business-Type Activities

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Buildings and infrastructure systems	\$ 26,512,164	\$ 1,774,362	\$ 28,286,526
Furniture, equipment, and vehicles	<u>681,623</u>	<u>-</u>	<u>681,623</u>
Total Capital Assets	27,193,787	1,774,362	28,968,149
Less: Accumulated depreciation and amortization	<u>(6,523,148)</u>	<u>(490,253)</u>	<u>(7,013,401)</u>
Net Capital Assets	<u>\$ 20,670,639</u>	<u>\$ 1,284,109</u>	<u>\$ 21,954,748</u>

Component Unit EDA

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 70,800	\$ -	\$ 70,800
Buildings and improvements	<u>336,395</u>	<u>6,600</u>	<u>342,995</u>
Total Capital Assets	407,195	6,600	413,795
Less: Accumulated depreciation	<u>(21,424)</u>	<u>(8,506)</u>	<u>(29,930)</u>
Net Capital Assets	<u>\$ 385,771</u>	<u>\$ (1,906)</u>	<u>\$ 383,865</u>

Long-Term Debt

As of June 30, 2018, the Town's long-term obligations, excluding the Component Unit, total \$7,116,702.

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Governmental Activities			
Long-term debt	\$ 133,179	\$ 56,008	\$ 189,187
Compensated absences (restated)	<u>49,849</u>	<u>(4,619)</u>	<u>45,230</u>
Total Governmental Activities	183,028	51,389	234,417
Business-Type Activities			
Long-term debt	7,624,922	(758,543)	6,866,379
Compensated absences (restated)	<u>17,649</u>	<u>(1,743)</u>	<u>15,906</u>
Total Business-Type Activities	<u>7,642,571</u>	<u>(760,286)</u>	<u>6,882,285</u>
Total Debt - All Funds	<u>\$ 7,825,599</u>	<u>\$ (708,897)</u>	<u>\$ 7,116,702</u>

More detailed information on the Town's long-term obligations is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Lawrenceville, Virginia, which uses Brunswick County's rate, in June 2018, was 5.4%. This compares unfavorably to the state's rate of 3.3% and the national rate of 4.2%.
- According to the 2010 U.S. Census, the population in the Town of Lawrenceville, Virginia was 1,438.
- The per capita income in the Town of Lawrenceville, Virginia was \$12,519 +/- \$2,275, compared to \$17,376, +/- \$1,548 for the County of Brunswick and \$31,606 +/- \$124 for the state of Virginia, according to the 2010 U.S. Census data.

The fiscal year 2019 adopted budget anticipates General Fund revenues and expenditures to be \$1,673,535, a 7.15% decrease over the fiscal year 2018 budget.

The fiscal year 2019 adopted budget anticipates water and sewer revenue to be \$3,002,601, a 0.79% decrease over the fiscal year 2018 budget.

RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to C. J. Dean, Town Manager, Town of Lawrenceville, Virginia, 400 N. Main Street, Lawrenceville, Virginia 23868, telephone 434-848-2414, or visit the Town's website at www.lawrencevilleweb.com.

BASIC FINANCIAL STATEMENTS

Town of Lawrenceville, Virginia

Statement of Net Position

At June 30, 2018

	Primary Government			Component Unit EDA
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 287,238	\$ 889,866	\$ 1,177,104	\$ 22,513
Receivables, net	46,918	80,963	127,881	1,000
Due from other governments	6,382	-	6,382	-
Capital Assets				
Capital assets, not depreciated	1,205,925	-	1,205,925	70,800
Other capital assets, net of accumulated depreciation	1,684,266	21,954,748	23,639,014	313,065
Capital Assets, Net	<u>2,890,191</u>	<u>21,954,748</u>	<u>24,844,939</u>	<u>383,865</u>
Other Assets				
Restricted cash	-	1,544,843	1,544,843	-
Total Other Assets	<u>-</u>	<u>1,544,843</u>	<u>1,544,843</u>	<u>-</u>
Total Assets	3,230,729	24,470,420	27,701,149	407,378
Deferred Outflows of Resources				
Deferred outflows - pension	50,577	47,298	97,875	-
Deferred outflows - other post employment benefits	<u>3,957</u>	<u>3,734</u>	<u>7,691</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,285,263</u>	<u>\$ 24,521,452</u>	<u>\$ 27,806,715</u>	<u>\$ 407,378</u>
Liabilities				
Pooled cash deficit	\$ 550,643	\$ -	\$ 550,643	\$ -
Accounts payable and accrued expenses	10,189	24,169	34,358	-
Customer deposits	-	32,007	32,007	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	57,520	710,023	767,543	-
<i>Due in more than one year</i>				
Compensated absences	45,230	15,906	61,136	-
Net other post employment benefits liability	50,333	42,876	93,209	-
Net pension liability	177,324	151,053	328,377	-
Bonds, loans, and capital leases payable	<u>131,667</u>	<u>6,156,356</u>	<u>6,288,023</u>	<u>-</u>
Total Liabilities	1,022,906	7,132,390	8,155,296	-
Deferred Inflows of Resources				
Deferred inflows - pension	93,948	80,029	173,977	-
Deferred inflows - other post employment benefits	7,029	5,987	13,016	-
Deferred inflows - property taxes	979	-	979	-
Net Position				
Net investment in capital assets	2,701,004	15,088,369	17,789,373	383,865
Restricted for capital projects	-	1,544,843	1,544,843	-
Unrestricted (deficit)	<u>(540,603)</u>	<u>669,834</u>	<u>129,231</u>	<u>23,513</u>
Total Net Position (Deficit)	<u>2,160,401</u>	<u>17,303,046</u>	<u>19,463,447</u>	<u>407,378</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,285,263</u>	<u>\$ 24,521,452</u>	<u>\$ 27,806,715</u>	<u>\$ 407,378</u>

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

Town of Lawrenceville, Virginia

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit EDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government administration	\$ 262,246	\$ -	\$ -	\$ -	\$ (262,246)		\$ (262,246)	
Public safety	638,383	42,907	75,051	-	(520,425)		(520,425)	
Public works	434,467	96,591	17,506	-	(320,370)		(320,370)	
Parks, recreation, and cultural	6,189	-	500	-	(5,689)		(5,689)	
Community development	88,022	-	33,607	-	(54,415)		(54,415)	
Debt service	10,368	-	-	-	(10,368)		(10,368)	
Total Governmental Activities	1,439,675	139,498	126,664	-	(1,173,513)		(1,173,513)	
Business-Type Activities								
Proprietary funds - Water and Sewer	2,204,758	2,682,308	102,700	-		\$ 580,250	580,250	
Total Business-Type Activities	2,204,758	2,682,308	102,700	-		580,250	580,250	
Total Primary Government	\$ 3,644,433	\$ 2,821,806	\$ 229,364	\$ -			(593,263)	
Component Unit								
EDA	\$ 14,898	\$ -	\$ 5,000	\$ -				\$ (9,898)
General Revenues								
Taxes								
General property taxes, real and personal					180,851	-	180,851	-
Other local taxes					371,268	-	371,268	-
Grants and contributions not restricted to specific programs					87,349	-	87,349	-
Unrestricted revenue from use of money and property					35,100	-	35,100	6,000
Investment earnings					2,101	7,134	9,235	-
Miscellaneous					120,020	-	120,020	-
Total General Revenues					796,689	7,134	803,823	6,000
Change in Net Position					(376,824)	587,384	210,560	(3,898)
Net Position - Beginning of Year (Restated)					2,537,225	16,715,662	19,252,887	411,276
Net Position - End of Year					\$ 2,160,401	\$ 17,303,046	\$ 19,463,447	\$ 407,378

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

Town of Lawrenceville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 214,571	\$ 72,667	\$ 287,238
Property taxes receivable, net	17,153	-	17,153
Other receivables	29,765	-	29,765
Due from other governments	<u>6,382</u>	<u>-</u>	<u>6,382</u>
Total Assets	<u>\$ 267,871</u>	<u>\$ 72,667</u>	<u>\$ 340,538</u>
Liabilities			
Pooled cash deficit	\$ 550,643	\$ -	\$ 550,643
Accounts payable and accrued liabilities	<u>10,189</u>	<u>-</u>	<u>10,189</u>
Total Liabilities	560,832	-	560,832
Deferred Inflows of Resources			
Unavailable revenue	<u>11,676</u>	<u>-</u>	<u>11,676</u>
Total Deferred Inflows of Resources	11,676	-	11,676
Fund Balance (Deficit)			
Assigned fund balance	-	72,667	72,667
Unassigned fund balance (deficit)	<u>(304,637)</u>	<u>-</u>	<u>(304,637)</u>
Total Fund Balance (Deficit)	<u>(304,637)</u>	<u>72,667</u>	<u>(231,970)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 267,871</u>	<u>\$ 72,667</u>	<u>\$ 340,538</u>

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

Town of Lawrenceville, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2018

Total Fund Balances for Governmental Funds \$ (231,970)

Total net position reported for governmental activities in the Statement of Net Position is 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	\$ 1,205,925
Infrastructure - streets, sidewalks, systems	914,154
Buildings and improvements, net of accumulated depreciation	599,505
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>170,607</u>

Total Capital Assets 2,890,191

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

Unavailable revenue - property taxes	10,697
--------------------------------------	--------

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	50,577
Deferred inflows of resources related to pensions	(93,948)
Deferred outflows of resources related to OPEB	3,957
Deferred inflows of resources related to OPEB	<u>(7,029)</u>

Total Deferred Outflows and Inflows of Resources (46,443)

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:

Long-term liabilities, including bonds payable	(189,187)
Net pension liability	(177,324)
OPEB obligation	(50,333)
Compensated absences	<u>(45,230)</u>

Total (462,074)

Total Net Position of Governmental Activities \$ 2,160,401

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

Town of Lawrenceville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Governmental Funds

Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 189,483	\$ -	\$ 189,483
Other local taxes	371,268	-	371,268
Fines and forfeitures	42,907	-	42,907
Use of money and property	36,898	303	37,201
Charges for services	96,591	-	96,591
Recovered costs	33,680	-	33,680
Miscellaneous	119,345	675	120,020
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	145,683	-	145,683
Revenue from the Federal Government	<u>68,330</u>	<u>-</u>	<u>68,330</u>
Total Revenues	1,104,185	978	1,105,163
Expenditures			
Current			
General government administration	278,966	-	278,966
Public safety	604,890	-	604,890
Public works	493,815	-	493,815
Parks, recreation, and cultural	5,699	490	6,189
Community development	88,022	-	88,022
Debt service	<u>60,374</u>	<u>-</u>	<u>60,374</u>
Total Expenditures	<u>1,531,766</u>	<u>490</u>	<u>1,532,256</u>
Excess (Deficiency) of Revenues Over Expenditures	(427,581)	488	(427,093)
Other Financing Sources (Uses)			
Issuance of debt	<u>106,014</u>	<u>-</u>	<u>106,014</u>
Total Other Financing Sources (Uses)	<u>106,014</u>	<u>-</u>	<u>106,014</u>
Net Change in Fund Balance	(321,567)	488	(321,079)
Fund Balance - Beginning of Year (Restated)	<u>16,930</u>	<u>72,179</u>	<u>89,109</u>
Fund Balance (Deficit) - End of Year	<u>\$ (304,637)</u>	<u>\$ 72,667</u>	<u>\$ (231,970)</u>

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

Town of Lawrenceville, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (321,079)

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

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 as depreciation expense.

Capitalized assets	\$ 116,039	
Depreciation	<u>(139,063)</u>	(23,024)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.

(8,632)

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Repayments on debt	50,006	
Issuance of long-term debt	<u>(106,014)</u>	(56,008)
Net Adjustment		

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. Changes in the following accounts are as follows:

Net pension obligation	183,404	
Deferred inflows - VRS pension	(92,093)	
Deferred outflows - VRS pension	(64,681)	
Deferred outflows - OPEB	3,957	
Other postemployment benefits	<u>(3,287)</u>	
Net Adjustment		27,300

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Compensated absences	<u>4,619</u>	
Net Adjustment		<u>4,619</u>

Change in Net Position of Governmental Activities \$ (376,824)

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

Town of Lawrenceville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2018

**Business-Type
Activities -
Enterprise Fund
Water and Sewer
Fund**

Assets**Current Assets**

Cash and cash equivalents	\$ 889,866
Receivables, net	<u>80,963</u>
Total Current Assets	970,829

Noncurrent Assets

Other capital assets, net of accumulated depreciation	<u>21,954,748</u>
Total Noncurrent Assets	21,954,748

Other Assets

Restricted cash	<u>1,544,843</u>
Total Other Assets	1,544,843

Deferred Outflows of Resources

Deferred outflows - pension	47,298
Deferred outflows - other post employment benefits	<u>3,734</u>
Total Deferred Outflows of Resources	<u>51,032</u>

Total Assets and Deferred Outflows of Resources

\$ 24,521,452

Liabilities**Current Liabilities**

Accounts payable and accrued expenses	\$ 24,169
Customer deposits	32,007
Notes payable and capital leases - current	<u>710,023</u>
Total Current Liabilities	766,199

Noncurrent Liabilities

Compensated absences	15,906
Net other post employment benefits liability	42,876
Net pension liability	151,053
Notes payable and capital leases	<u>6,156,356</u>
Total Noncurrent Liabilities	<u>6,366,191</u>

Total Liabilities

7,132,390

Deferred Inflows of Resources

Deferred inflows - pension	80,029
Deferred inflows - other post employment benefits	<u>5,987</u>
Total Deferred Inflows of Resources	86,016

Net Position

Net investment in capital assets	15,088,369
Restricted	1,544,843
Unrestricted	<u>669,834</u>

Total Net Position

17,303,046

Total Liabilities, Deferred Inflows of Resources, and Net Position

\$ 24,521,452

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

Town of Lawrenceville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2018

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 2,561,423
Connection and other fees	50,416
Miscellaneous	<u>70,469</u>
Total Operating Revenues	2,682,308
Operating Expenses	
Salaries and wages	497,943
Fringe benefits	138,588
Fees and permits	18,337
Office supplies	5,722
Engineering fees	49,408
Repairs and maintenance	71,839
Materials and supplies	385,606
Utilities and telephone	205,219
Sludge removal	23,976
Insurance	19,197
Miscellaneous expenses	3,574
Depreciation	<u>490,253</u>
Total Operating Expenses	<u>1,909,662</u>
Operating Income	772,646
Nonoperating Revenues (Expenses)	
Interest income	7,134
IDA reimbursements	102,700
Interest expense	<u>(295,096)</u>
Total Nonoperating Revenues (Expenses)	<u>(185,262)</u>
Change in Net Position	587,384
Total Net Position - Beginning of Year (Restated)	<u>16,715,662</u>
Total Net Position - End of Year	<u><u>\$ 17,303,046</u></u>

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

Town of Lawrenceville, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2018

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,625,705
Other receipts	70,469
Payments to personnel and suppliers	<u>(1,416,347)</u>
Net Cash Provided by Operating Activities	1,279,827
Cash Flows from Noncapital Financing Activities	
Due to/due from other funds	705,431
Reimbursements	<u>102,700</u>
Net Cash Provided by Noncapital Financing Activities	808,131
Cash Flows from Capital and Related Financing Activities	
Repayment of long-term debt - principal	(758,543)
Repayment of long-term debt - interest	(295,096)
Water and sewer capital expenditures - net capital contributed	<u>(1,774,362)</u>
Net Cash Used in Capital and Related Financing Activities	(2,828,001)
Cash Flows from Investing Activities	
Interest income	<u>7,134</u>
Net Cash Provided by Investing Activities	<u>7,134</u>
Net Decrease in Cash and Cash Equivalents	(732,909)
Cash and Cash Equivalents - Beginning of Year	<u>3,167,618</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,434,709</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 772,646
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation expense	490,253
<i>Changes in assets and liabilities</i>	
Receivables, net	13,866
Compensated absences	(1,743)
Deferred outflows - pension	49,633
Deferred outflows - OPEB	41
Net pension liability	(148,661)
Deferred inflows - pension	81,884
Deferred inflows - OPEB	5,987
Net other post employment benefits	(6,954)
Accounts payable and accrued expenses	23,243
Customer deposits	<u>(368)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,279,827</u></u>

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

Town of Lawrenceville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2018

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Lawrenceville, Virginia (the "Town"), which was founded in 1814, has a population of approximately 1,438 living within an area of 1.142 square miles. The Town is the County Seat of Brunswick County, Virginia. The Town is governed by a Town Manager and a seven-member Town Council with each serving administrative and legislative functions.

The Town engages in a comprehensive range of municipal services, including general government administration, public safety, public works, and community development.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

1-A. *Financial Reporting Entity*

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Lawrenceville, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Individual Component Unit Disclosures

Discretely Presented Component Unit

Economic Development Authority of the Town of Lawrenceville, Virginia

A seven-member board appointed by the Town Council of the Town of Lawrenceville, Virginia governs the Authority. The directors are to serve staggered terms of one to four years each.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. The Authority may retain liability under the bonds or it may be assumed by the enterprise for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

1-B. Financial Reporting Model

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town and its discretely presented component unit at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

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 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. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB Statement No. 68-- *Accounting and Financial Reporting for Pensions*-- an amendment of GASB No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

1-C. Financial Statement Presentation

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

- *Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

- § Cemetery Fund – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.

- *Capital Projects Funds* – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Town has no capital projects funds at this time.
- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- *Fiduciary Funds (Agency Funds)* – Fiduciary 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. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no Agency Funds at this time.
- *Component Unit (Economic Development Authority of the Town of Lawrenceville, Virginia)*

The Economic Development Authority of the Town of Lawrenceville, Virginia has the following fund:

Proprietary Fund – This fund has an unrestricted net position of \$23,513.

1-D. Measurement Focus and Basis of Accounting

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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, parks, recreation, and cultural, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, public safety, public works, parks, recreation, and cultural, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The Town's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use unrestricted resources first, and then restricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$44,870 at June 30 for property taxes.

General Fund - taxes receivable	\$ 44,870
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Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	January 1	January 1
Due Date	January 5	January 5
Lien Date	January 5	January 5

The Town bills and collects its own property taxes.

A 10% penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on such taxes on the 6th of each month, beginning on January 6.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as non-spendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town's infrastructure consists primarily of roads and bridges. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 to 40 years
Furniture, machinery, and equipment (includes vehicles)	7 to 20 years
Infrastructure	60 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision'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.

1-E-9 Group Life Insurance

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

1-E-10 Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers.

The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-11 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services or utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as non-operating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-13 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-14 Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-15 Adoption of New GASB Statement

During the fiscal year ended June 30, 2018, the Town adopted the following GASB statement:

- GASB Statement No. 75-*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the Town's fiscal year ending June 30, 2018.

1-F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government and Component Unit. All appropriations are legally controlled at the department level for the primary Government Funds. The Component Unit appropriation is determined by the Town Council and is controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital 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 Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component unit.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

A formal budget is not adopted for the Cemetery Fund, as such, expenditures exceeded appropriations.

Fund Deficits

The General Fund had a fund balance deficit of \$(304,637) at the end of the year.

3 Deposits and Investments

Deposits

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

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, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

The Town does not have a formal investment policy addressing the various types of risks associated with investments.

The Town currently holds no investments. Therefore, interest and concentration of credit risk is not applicable.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2018</u>
Petty cash	\$ 200
Deposit accounts	<u>2,171,104</u>
Total Cash and Cash Equivalents	<u>\$ 2,171,304</u>

4 Receivables

Receivables at June 30, 2018 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities General</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
Property taxes	\$ 62,023	\$ -	\$ -
Garbage	11,295	-	-
Other	18,470	-	1,000
Water and sewer	<u>-</u>	<u>80,963</u>	<u>-</u>
Total	91,788	80,963	1,000
Allowance for uncollectibles	<u>(44,870)</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 46,918</u>	<u>\$ 80,963</u>	<u>\$ 1,000</u>

5 Interfund Transfers

As of June 30, 2018, there were no interfund transfers.

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6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,205,925	\$ -	\$ -	\$ 1,205,925
Total Capital Assets Not Being Depreciated	1,205,925	-	-	1,205,925
Other Capital Assets				
Buildings and improvements	1,004,662	-	-	1,004,662
Infrastructure - streets, sidewalks, systems	1,057,357	-	-	1,057,357
Furniture, equipment, and vehicles	2,219,214	116,039	-	2,335,253
Total Other Capital Assets	4,281,233	116,039	-	4,397,272
Less: Accumulated depreciation for				
Buildings and improvements	389,129	16,028	-	405,157
Infrastructure - streets, sidewalks, systems	121,968	21,235	-	143,203
Furniture, equipment, and vehicles	2,062,846	101,800	-	2,164,646
Total Accumulated Depreciation	2,573,943	139,063	-	2,713,006
Other Capital Assets, Net	1,707,290	(23,024)	-	1,684,266
Net Capital Assets	\$ 2,913,215	\$ (23,024)	\$ -	\$ 2,890,191

Depreciation expense was allocated as follows:

General government administration	\$ 25,391
Public safety	57,644
Public works	56,028
Total Depreciation Expense	\$ 139,063

Business-Type Activities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Other Capital Assets				
Buildings and infrastructure systems	\$ 26,512,164	\$ 1,774,362	\$ -	\$ 28,286,526
Furniture, equipment, and vehicles	<u>681,623</u>	<u>-</u>	<u>-</u>	<u>681,623</u>
Total Other Capital Assets	27,193,787	1,774,362	-	28,968,149
Less: Accumulated depreciation for				
Buildings and systems	6,077,978	465,324	-	6,543,302
Furniture, equipment, and vehicles	<u>445,170</u>	<u>24,929</u>	<u>-</u>	<u>470,099</u>
Total Accumulated Depreciation	<u>6,523,148</u>	<u>490,253</u>	<u>-</u>	<u>7,013,401</u>
Other Capital Assets, Net	<u>20,670,639</u>	<u>1,284,109</u>	<u>-</u>	<u>21,954,748</u>
Net Capital Assets	<u>\$ 20,670,639</u>	<u>\$ 1,284,109</u>	<u>\$ -</u>	<u>\$ 21,954,748</u>

Component Unit**Capital Assets Not Being Depreciated**

Land	\$ 70,800	\$ -	\$ -	\$ 70,800
Total Capital Assets Not Being Depreciated	70,800	-	-	70,800

Other Capital Assets

Buildings and improvements	<u>336,395</u>	<u>6,600</u>	<u>-</u>	<u>342,995</u>
Total Other Capital Assets	336,395	6,600	-	342,995
Less: Accumulated depreciation for				
Buildings and improvements	<u>21,424</u>	<u>8,506</u>	<u>-</u>	<u>29,930</u>
Total Accumulated Depreciation	<u>21,424</u>	<u>8,506</u>	<u>-</u>	<u>29,930</u>
Other Capital Assets, Net	<u>314,971</u>	<u>(1,906)</u>	<u>-</u>	<u>313,065</u>
Net Capital Assets	<u>\$ 385,771</u>	<u>\$ (1,906)</u>	<u>\$ -</u>	<u>\$ 383,865</u>

7 Compensated Absences

Each Town employee earns vacation at the rate of a minimum of 4 hours per month up to 10 hours per month based on years of service. Sick leave is earned at the rate of 8 hours per month. Unused sick leave will not be paid to employees while they are employed or upon termination of employment. Accumulated vacation time is paid through the last day of work or upon termination. The Town has outstanding compensated absences totaling \$45,230 for the governmental activities and \$15,906 for the business-type activities.

8 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30.	Governmental Funds		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 57,520	\$ 6,165	\$ 710,023	\$ 252,092
2020	54,840	5,112	657,178	234,115
2021	34,826	2,888	329,178	219,541
2022	18,461	1,411	325,000	142,043
2023	23,540	159	342,000	132,653
2024 and thereafter	-	-	4,503,000	300,990
Compensated absences	45,230	-	15,906	-
Total	<u>\$ 234,417</u>	<u>\$ 15,735</u>	<u>\$ 6,882,285</u>	<u>\$ 1,281,434</u>

Changes in Long-Term Debt

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

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Due Within One Year
Primary Government					
Governmental Activities					
General Fund					
Note Payable to First Citizens Bank, dated March 17, 2006. Principal amount of original note is \$400,000 with interest at the rate of 4.12%, per annum, payable in fifteen annual payments of \$36,342 commencing February 17, 2007 and continuing on the same day every year thereafter until paid in full.	\$ 111,135	\$ -	\$ 28,544	\$ 82,591	\$ 32,679
Note Payable to USDA Rural Development, dated January 1, 2015. Principal amount of original note is \$40,600 with interest at the rate of 3.75%, per annum, payable in sixty monthly payments of \$744 commencing on February 27, 2015 and continuing on the same day each month thereafter until paid in full.	22,044	-	8,408	13,636	8,562
Governmental equipment lease with Caterpillar Financial Services Corporation, dated August 10, 2017. Principal amount of \$106,014 with interest at the rate of 4.20%, payable in monthly payments of \$1,656.06 for 59 months with a final payment of \$22,536.06 due August 2022. Proceeds used to purchase a 289D track loader.	-	106,014	13,054	92,960	16,279
Compensated absences (Restated)	<u>49,849</u>	<u>-</u>	<u>4,619</u>	<u>45,230</u>	<u>-</u>
Total Governmental Activities	183,028	106,014	54,625	234,417	57,520

Business-Type Activities - Enterprise Funds	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Due Within One Year
Taxable Water and Sewer System Revenue Refunding Bond Series 2010. Principal amount of original issue is \$860,000 with a variable interest rate. Interest on this bond shall be payable in annual installments on each April 1 and October 1, commencing October 1, 2010. Principal shall be paid annually each October 1 until the bond is paid in full or for seventeen years, whichever occurs first. (Refinancing of Series 2002A Bond)	595,000	-	50,000	545,000	50,000
On June 10, 2013, the Town of Lawrenceville entered into an agreement with the Town of Alberta regarding the assumption of ownership, operation, and maintenance of the water distribution line and wastewater collection line owned by Alberta. Lawrenceville agreed to assume the outstanding debt on the Alberta wastewater treatment plant with VRA Project #C-515221-02. The balance as of November 1, 2012 was \$86,510 and is payable in bi-annual payments of \$5,089 at zero percent interest.	40,712	-	10,178	30,534	10,178
Taxable Water and Sewer System Revenue Bonds, Series of 1999. Principal amount of original issue is \$1,981,000 with interest at the rate of 4.50% and shall provide for payment of interest only on the first anniversary of the closing date. Installments of combined principal and interest of \$12,956 shall be paid until the Bond is paid in full or for 240 months (20 years), whichever occurs first.	204,210	-	149,365	54,845	54,845
Virginia Community Capital - Taxable General Obligation Bond, Series 2014A, interest payments are due semi-annually on February 1 and August 1. Interest has been capitalized for the first year, until May 22, 2015. Principal payments are due annually on February 1, commencing February 1, 2016. The final maturity is February 1, 2034. Interest rate is 4.07%. The purpose is to finance capital improvement projects, including but not limited to, water plant expansion and upgrade and the downtown parking lot project.	3,155,000	-	130,000	3,025,000	135,000
Virginia Credit Union - Taxable Utility System Revenue Bond, Series 2014B, interest payments are due semi-annually on February 1 and August 1. Interest has been capitalized for the first year, until May 22, 2015. Principal payments are due annually on February 1, commencing February 1, 2016. The final maturity is February 1, 2024. The purpose is to finance capital improvement projects, including, but not limited to, water plant expansion and upgrade and downtown parking lot. Series 2014B Bond is non-callable and has a balloon payment due on August 1, 2024.	1,245,000	-	50,000	1,195,000	55,000
Virginia Credit Union - Taxable Revenue Refunding Bond, Series 2014C. Interest payments are due semi-annually on February 1 and August 1 each year, commencing August 1, 2014. Principal payments are due annually on August 1, commencing August 1, 2014. The final maturity is August 1, 2019.	1,035,000	-	340,000	695,000	345,000
On October 4, 2016, the Town entered into an agreement with Benchmark Community Bank to make a loan in the amount of \$1,371,000 with a fixed rate of 3.49% for the first ten years. After the first ten years, the rate will reset then again every 5 years and will be tied to the Wall Street Journal Prime + 0%. The loan will be amortized over 20 years with two rate change dates at 10 years and then again at 15 years. The principal will be due annually beginning August 1, 2017, until maturity. Interest will be due annually beginning February 1, 2017, until maturity. The purpose of this loan is to provide financing for the improvements and upgrades to the Town's wastewater facility. This loan shall be secured by the revenue for the Town's Water & Sewer.	1,350,000	-	29,000	1,321,000	50,000
Compensated absences (Restated)	17,649	-	1,743	15,906	-
Total Business-Type Activities	7,642,571	-	760,286	6,882,285	700,023
Total Debt - All Funds	\$ 7,825,599	\$ 106,014	\$ 814,911	\$ 7,116,702	\$ 757,543

9 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2018 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit EDA</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 5,603,197	\$ 28,968,149	\$ 413,795
Less: Accumulated depreciation	<u>2,713,006</u>	<u>7,013,401</u>	<u>29,930</u>
Book value	2,890,191	21,954,748	383,865
Less: Capital related debt	<u>189,187</u>	<u>6,866,379</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 2,701,004</u>	<u>\$ 15,088,369</u>	<u>\$ 383,865</u>

10 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes are comprised of the following:

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$ 10,697
Prepaid property taxes - property taxes paid in advance	<u>979</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 11,676</u>
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11 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond coverage is as follows:

<u>Name</u>	<u>Fund</u>	<u>Amount</u>	<u>Insurance Company</u>
Blanket Coverage All employees	All Funds	\$250,000	Virginia Municipal League

12 Commitments and Contingencies

If applicable, federal programs in which the Town and the discretely presented component unit participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

13 Litigation

At June 30, 2018, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

14 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$ 49,762,526
Debt Limits per Constitution of Virginia- 10% Assessed Value	\$ 4,976,253
Amount of Debt Applicable to Debt Limit	
Gross debt	<u>4,472,761</u>
Legal Debt Margin - June 30, 2018	<u>\$ 503,492</u>

NOTE: Includes all long-term general obligation bonded debt. Excludes capital leases and compensated absences.

15 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

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

Creditable Service

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

Vesting

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

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

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

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

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

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

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

Distribution is not required by law until age 70 1/2.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

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

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	2
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	14
Active members	<u>25</u>
Total covered employees	<u>51</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00%-member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00%-member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 9.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$89,579 and \$94,710 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment 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 – 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 70-90.

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

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	<u>15.00%</u>	9.53%	<u>1.43%</u>
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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at June 30, 2016	\$ 3,873,214	\$ 3,212,771	\$ 660,443
Changes for the Year			
Service cost	108,756	-	108,756
Interest	259,540	-	259,540
Benefit changes	-	-	-
Changes of assumptions	(96,385)	-	(96,385)
Differences between expected and actual experience	(86,360)	-	(86,360)
Contributions - employer	-	94,767	(94,767)
Contributions - employee	-	47,593	(47,593)
Net investment income	-	377,908	(377,908)
Benefit payments, including refunds of employee contributions	(330,994)	(330,994)	-
Administrative expenses	-	(2,319)	2,319
Other changes	-	(332)	332
Net Changes	<u>(145,443)</u>	<u>186,623</u>	<u>(332,066)</u>
Balances at June 30, 2017	<u>\$ 3,727,771</u>	<u>\$ 3,399,394</u>	<u>\$ 328,377</u>

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

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

	<u>1.00% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1.00% Increase</u> <u>(8.00%)</u>
Political subdivision's			
Net Pension Liability \$	813,459	\$ 328,377	\$ (80,667)

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$28,912. At June 30, 2018, the political subdivision 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	\$ 8,296	\$ 60,658
Change in assumptions	-	67,699
Net difference between projected and actual earnings on pension plan investments	-	45,620
Employer contributions subsequent to the measurement date	<u>89,579</u>	<u>-</u>
Total	<u>\$ 97,875</u>	<u>\$ 173,977</u>

\$89,579 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended
June 30.**

2019	\$ (78,324)
2020	(36,936)
2021	(18,480)
2022	(31,941)
2023	-
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan

The political subdivision recognizes \$11,032 of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2018 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

16 Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$4,705 and \$5,020 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entities reported a liability of \$79,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00523% as compared to 0.00507% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$4,000. 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.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,000
Change in assumptions	-	4,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>4,705</u>	<u>-</u>
Total	<u>\$ 4,705</u>	<u>\$ 9,000</u>

\$4,705 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended	
<u>June 30.</u>	
2019	\$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(2,000)
2023	(1,000)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

* 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 the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health 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.

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

<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	<u>15.00%</u>	9.53%	<u>1.43%</u>
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 GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the 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. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Employer's Proportionate Share of the Group Life Insurance Program			
Net OPEB Liability	\$ 102,000	\$ 79,000	\$ 60,000

Group Life Insurance Program Fiduciary Net Position

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

Payables to the VRS Group Life Insurance OPEB Plan

The political subdivision recognizes \$978 of payables to the VRS Group Life Insurance OPEB Plan outstanding at the end of the reporting period. This amount represents June 2018 legally required contributions to the plan due by July 10 per VRS reporting requirements.

17 Health Insurance Credit Program

Plan Description

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

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

**POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN
PROVISIONS**

Eligible Employees

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

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

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

Benefit Amounts

The political subdivision's Retiree Health Insurance Credit Program provided the following benefits for eligible employees:

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

Health Insurance Credit Program Notes:

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	4
Inactive members:	
Vested	-
Non-vested	-
Active elsewhere in VRS	-
Total inactive members	4
Active members	25
Total covered employees	29

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the Political Subdivision Health Insurance Credit Program were \$2,986 and \$3,186 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB Liability

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation	
Locality - General Employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty Employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of investment 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 the OPEB liabilities.

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Long-Term Expected Rate of Return

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

<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	<u>15.00%</u>	9.53%	<u>1.43%</u>
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 HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

	Total HIC OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 47,688	\$ 28,363	\$ 19,325
Changes for the Year			
Service cost	1,822	-	1,822
Interest	3,271	-	3,271
Benefit changes	-	-	-
Changes of assumptions	(3,534)	-	(3,534)
Differences between expected and actual experience	-	-	-
Contributions - employer	-	3,186	(3,186)
Net investment income	-	3,381	(3,381)
Benefit payments, including refunds of employee contributions	(1,916)	(1,916)	-
Administrative expenses	-	(57)	57
Other changes	-	165	(165)
Net Changes	<u>(357)</u>	<u>4,759</u>	<u>(5,116)</u>
Balances at June 30, 2017	<u>\$ 47,331</u>	<u>\$ 33,122</u>	<u>\$ 14,209</u>

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's Net HIC OPEB Liability	\$ 18,817	\$ 14,209	\$ 10,203

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

For the year ended June 30, 2018, the political subdivision recognized Health Insurance Credit Program OPEB expense \$2,086, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	2,938
Net difference between projected and actual earnings on HIC OPEB plan investments	-	1,078
Employer contributions subsequent to the measurement date	<u>2,986</u>	<u>-</u>
Total	<u>\$ 2,986</u>	<u>\$ 4,016</u>

\$2,986 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2019	\$ (866)
2020	(866)
2021	(866)
2022	(864)
2023	(554)
Thereafter	-

Health Insurance Credit Program Plan Data

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

Payables to the VRS Health Insurance Credit OPEB Plan

The political subdivision recognizes \$246 of payables to the VRS Health Insurance Credit OPEB Plan outstanding at the end of the reporting period. This amount represents June 2018 legally required contributions to the plan due by July 10 per VRS reporting requirements.

18 Fund Balances – Governmental Funds

As of June 30, 2018, fund balances are composed of the following:

Primary Government	<u>Assigned for</u>	<u>Amount</u>
Cemetery Fund	Cemetery Maintenance	\$ <u>72,667</u>

19 Restatement of Net Position

The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record a prior period adjustment to eliminate interfund balances and to correct receivables recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the General Fund is as follows:

	<u>General Fund</u>
Beginning Balance as previously reported - June 30, 2017	\$ (2,663,917)
Eliminate interfund balances	2,642,992
Prior year corrections	<u>37,855</u>
Total Restated Amounts	<u>2,680,847</u>
Restated Balance - beginning of the year - July 1, 2017	\$ <u>16,930</u>

The above adjustment increased the prior year change in fund balance by \$2,680,847.

The above adjustment increased the change in net position \$2,680,847 for the prior year and had no impact on the current year change in net position.

Furthermore, net position of the governmental activities and business-type activities has been restated to reflect the cumulative effect resulting from the implementation of GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In addition, compensated absences included sick leave in prior years, per Town personnel policy sick leave is not paid out.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>Water and Sewer Fund</u>	
Beginning Balance as previously reported - June 30, 2017	\$ (248,153)	\$ 18,835,559
Compensated absences	158,606	63,773
Eliminate interfund balances	2,642,992	(2,137,607)
Prior year corrections	37,855	-
VRS Group Life Insurance - Net OPEB	(45,360)	(38,640)
VRS Health Insurance Credit - Net OPEB	<u>(8,715)</u>	<u>(7,423)</u>
Total Restated Amounts	<u>2,785,378</u>	<u>(2,119,897)</u>
Restated Balance - beginning of the year - July 1, 2017	\$ <u>2,537,225</u>	\$ <u>16,715,662</u>

20 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through March 5, 2019.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Lawrenceville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2018

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real and personal property taxes	\$ 230,000	\$ 230,000	\$ 180,212	\$ (49,788)
Penalties and interest on taxes	<u>3,000</u>	<u>3,000</u>	<u>9,271</u>	<u>6,271</u>
Total General Property Taxes	233,000	233,000	189,483	(43,517)
Other Local Taxes				
Local sales and use taxes	40,000	40,000	33,843	(6,157)
Utility and consumption taxes	105,000	105,000	60,268	(44,732)
Business license taxes	60,000	60,000	52,448	(7,552)
Meals taxes	150,000	150,000	145,162	(4,838)
Motor vehicle licenses	12,500	12,500	11,255	(1,245)
Bank franchise tax	<u>70,000</u>	<u>70,000</u>	<u>68,292</u>	<u>(1,708)</u>
Total Other Local Taxes	437,500	437,500	371,268	(66,232)
Fines and Forfeitures				
	75,000	75,000	42,907	(32,093)
Revenue from Use of Money and Property				
Revenue from use of money	1,200	1,200	1,798	598
<i>Revenue from use of property</i>				
Rent of property	12,000	12,000	28,875	16,875
Sale of property	<u>2,400</u>	<u>2,400</u>	<u>6,225</u>	<u>3,825</u>
Total Revenue from Use of Money and Property	15,600	15,600	36,898	21,298
Charges for Services				
Garbage fees	75,000	75,000	63,383	(11,617)
Dumpster fees	-	-	19,363	19,363
Miscellaneous charges	<u>7,500</u>	<u>7,500</u>	<u>13,845</u>	<u>6,345</u>
Total Charges for Services	82,500	82,500	96,591	14,091
Recovered Costs				
Chamber reimbursement	20,000	20,000	17,400	(2,600)
Miscellaneous	-	-	15,178	15,178
Insurance recoveries	<u>-</u>	<u>-</u>	<u>1,102</u>	<u>1,102</u>
Total Recovered Costs	20,000	20,000	33,680	13,680
Miscellaneous				
Fire Department	-	-	85,329	85,329
County fire appropriation	15,000	15,000	29,761	14,761
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>4,255</u>	<u>(1,745)</u>
Total Miscellaneous	21,000	21,000	119,345	98,345

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
<i>Noncategorical Aid</i>				
Personal property tax relief act	-	-	39,561	39,561
Communications tax	-	-	47,772	47,772
Rolling stock taxes - motor vehicle carriers tax	-	-	16	16
Total Noncategorical Aid	-	-	87,349	87,349
<i>Categorical Aid</i>				
Law enforcement grant	30,329	30,329	30,328	(1)
Disinfect byproduct grant	-	-	16,500	16,500
Art grant	500	500	500	-
Litter control	1,000	1,000	1,006	6
Fire program	10,000	10,000	10,000	-
Total Categorical Aid	41,829	41,829	58,334	16,505
Total Revenue from the Commonwealth	41,829	41,829	145,683	103,854
<i>Revenue from the Federal Government</i>				
V-STOP Grant	42,083	42,083	10,518	(31,565)
VAWA Grant	-	-	21,037	21,037
T21 Grant	100,000	100,000	9,417	(90,583)
Edward Byrne JAG program	-	-	3,168	3,168
Innovation Grant	50,000	50,000	-	(50,000)
Downtown Grant	100,000	100,000	-	(100,000)
Department of Housing and Community Development	-	-	24,190	24,190
DMV DUI fees	12,000	12,000	-	(12,000)
Total Revenue from the Federal Government	304,083	304,083	68,330	(235,753)
Total Intergovernmental Revenue	345,912	345,912	214,013	(131,899)
Total Revenues	1,230,512	1,230,512	1,104,185	(126,327)
Expenditures				
Current				
<i>General Government Administration</i>				
Town Council	10,200	10,200	10,150	50
Mayor	2,500	2,500	1,968	532
Salaries	123,982	123,982	114,870	9,112
Fringe benefits	52,370	52,370	70,796	(18,426)
Postage and telephone	5,000	5,000	4,766	234
Printing and office supplies	8,000	8,000	7,413	587
Utilities	7,800	7,800	8,830	(1,030)
Professional fees	19,500	19,500	19,257	243
Dues and travel	10,000	10,000	8,827	1,173
Computer maintenance	13,000	13,000	10,102	2,898
Insurance and bonds	12,650	12,650	10,560	2,090
Miscellaneous	13,985	13,985	11,427	2,558
Total General Government Administration	278,987	278,987	278,966	21

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Public Safety				
<i>Police Department</i>				
Salaries	347,405	347,405	278,775	68,630
Fringe benefits	104,193	104,193	86,670	17,523
Travel and dues	9,500	9,500	5,860	3,640
Professional fees	1,000	1,000	2,357	(1,357)
Line of Duty	1,800	1,800	1,948	(148)
Insurance	4,120	4,120	2,171	1,949
Supplies	7,000	7,000	6,673	327
Vehicle	27,000	27,000	39,161	(12,161)
Computer maintenance	9,893	9,893	6,569	3,324
Utilities	7,000	7,000	6,795	205
Equipment	9,000	9,000	14,254	(5,254)
Postage and telephone	13,000	13,000	11,666	1,334
Uniforms	4,000	4,000	3,788	212
Miscellaneous	19,600	19,600	5,126	14,474
Total Police Department	564,511	564,511	471,813	92,698
<i>Fire Department</i>				
Supplies	4,150	4,150	5,838	(1,688)
Vehicle	13,500	13,500	14,172	(672)
Insurance	28,700	28,700	602	28,098
Miscellaneous	17,050	17,050	37,726	(20,676)
Equipment	23,500	23,500	46,340	(22,840)
Utilities and telephone	9,100	9,100	9,919	(819)
Repairs and maintenance	11,500	11,500	4,961	6,539
Total Fire Department	107,500	107,500	119,558	(12,058)
<i>Building Inspector</i>				
Salary	18,000	18,000	6,500	11,500
Miscellaneous	14,000	14,000	7,019	6,981
Total Building Inspector	32,000	32,000	13,519	18,481
Total Public Safety	704,011	704,011	604,890	99,121
Public Works				
<i>Refuse collection and disposal</i>	5,000	5,000	1,022	3,978
<i>Maintenance of buildings and grounds</i>	23,706	23,706	14,885	8,821
<i>Maintenance of highway, streets, bridges and sidewalks</i>				
Salaries	242,129	242,129	177,024	65,105
Fringe benefits	105,701	105,701	66,827	38,874
Materials and supplies	20,000	20,000	26,203	(6,203)
Insurance	13,700	13,700	11,833	1,867
Vehicle	60,000	60,000	44,559	15,441
Miscellaneous	14,700	14,700	15,092	(392)
Capital outlay	25,000	25,000	106,014	(81,014)
Utilities	28,000	28,000	25,769	2,231
Maintenance	19,000	19,000	4,587	14,413
Total Maintenance of Highway, Streets, Bridges and Sidewalks	528,230	528,230	477,908	50,322
Total Public Works	556,936	556,936	493,815	63,121

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Parks, Recreation, and Cultural				
Cultural enrichment	1,505	1,505	5,699	(4,194)
Total Parks, Recreation, and Cultural	1,505	1,505	5,699	(4,194)
Community Development				
Bus service	3,500	3,500	3,500	-
Airport	18,500	18,500	7,565	10,935
Community development	230,000	230,000	76,957	153,043
Total Community Development	252,000	252,000	88,022	163,978
Debt Service				
Principal payments related to debt	8,928	8,928	50,006	(41,078)
Interest expense related to debt	-	-	10,368	(10,368)
Total Debt Service	8,928	8,928	60,374	(51,446)
Total Expenditures	1,802,367	1,802,367	1,531,766	270,601
Excess (Deficiency) of Revenues Over Expenditures	(571,855)	(571,855)	(427,581)	144,274
Other Financing Sources (Uses)				
Contingency/surplus	574,855	574,855	-	(574,855)
Issuance of debt	-	-	106,014	106,014
Operating transfers out	(3,000)	(3,000)	-	3,000
Total Other Financing Sources (Uses)	571,855	571,855	106,014	(465,841)
Net Change in Fund Balance	\$ -	\$ -	(321,567)	\$ (321,567)
Fund Balance - Beginning of Year (Restated)			16,930	
Fund Balance (Deficit) - End of Year			\$ (304,637)	

Cemetery Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ -	\$ -	\$ 303	\$ 303
Miscellaneous	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>
Total Revenues	-	-	978	978
Expenditures				
Parks, Recreation, and Cultural Maintenance	<u>-</u>	<u>-</u>	<u>490</u>	<u>(490)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>490</u>	<u>(490)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	488	488
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	488	<u>\$ 488</u>
Fund Balance - Beginning of Year			<u>72,179</u>	
Fund Balance - End of Year			<u>\$ 72,667</u>	

Town of Lawrenceville, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 108,756	\$ 103,846	\$ 97,467	\$ 96,502
Interest	259,540	250,863	235,900	222,225
Changes of assumptions	(96,385)	-	-	-
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(86,360)	11,338	-	-
Changes in assumptions	-	-	19,270	-
Benefit Payments, including refunds of employee contributions	<u>(330,994)</u>	<u>(153,173)</u>	<u>(124,601)</u>	<u>(122,131)</u>
Net change in total pension liability	(145,443)	212,874	228,036	196,596
Total pension liability - beginning	<u>3,873,214</u>	<u>3,660,340</u>	<u>3,432,304</u>	<u>3,235,708</u>
Total pension liability - ending (a)	<u>\$ 3,727,771</u>	<u>\$ 3,873,214</u>	<u>\$ 3,660,340</u>	<u>\$ 3,432,304</u>
Plan fiduciary net position				
Contributions - employer	\$ 94,767	\$ 96,250	\$ 93,763	\$94,122
Contributions - employee	47,593	45,458	44,353	42,170
Net investment income	377,908	56,214	139,426	411,618
Benefit Payments, including refunds of employee contributions	(330,994)	(153,173)	(124,601)	(122,131)
Administrative expense	(2,319)	(1,960)	(1,866)	(2,183)
Other	<u>(332)</u>	<u>(24)</u>	<u>(32)</u>	<u>21</u>
Net change in plan fiduciary net position	186,623	42,765	151,043	423,617
Plan fiduciary net position - beginning	<u>3,212,771</u>	<u>3,170,006</u>	<u>3,018,963</u>	<u>2,595,346</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,399,394</u>	<u>\$ 3,212,771</u>	<u>\$ 3,170,006</u>	<u>\$ 3,018,963</u>
Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 328,377</u>	<u>\$ 660,443</u>	<u>\$ 490,334</u>	<u>\$ 413,341</u>
Plan fiduciary net position as a percentage of the total pension liability	91.19%	82.95%	86.60%	87.96%
Covered payroll	\$ 956,665	\$ 911,873	\$ 890,434	\$840,224
Political subdivision's net pension liability as a percentage of covered payroll	34.33%	72.43%	55.07%	49.19%

Town of Lawrenceville, Virginia

Schedule of Employer Contributions - VRS Pension

For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 89,579	\$ 89,579	\$ -	\$ 904,839	9.90%
2017	94,710	94,710	-	956,665	9.90%
2016	96,385	96,385	-	911,873	10.57%
2015	94,119	94,119	-	890,434	10.57%
2014	93,769	93,786	(17)	840,224	11.16%
2013	94,369	94,369	-	850,174	11.10%
2012	46,723	46,723	-	745,183	6.27%
2011	59,630	59,630	-	725,423	8.22%
2010	61,550	61,550	-	748,779	8.22%
2009	65,222	65,222	-	746,143	8.74%

*Group Life Insurance and Health Insurance Credit included in prior year schedule. Restated in current year to separate benefits paid.

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

Town of Lawrenceville, Virginia

Notes to Required Supplementary Information – VRS Pension

For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2017 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2016 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Town of Lawrenceville, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018*

	<u>2018</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.52300%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 79,000
Employer's Covered Payroll	\$ 965,436
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.18%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

*The amounts presented have a measurement date of the previous fiscal year end.

Town of Lawrenceville, Virginia

Schedule of Employer Contributions for VRS OPEB Group Life Insurance Program

For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 4,705	\$ 4,705	\$ -	\$ 904,839	0.52%
2017	5,020	5,020	-	965,436	0.52%
2016	4,377	4,377	-	911,873	0.48%
2015	4,274	4,274	-	890,442	0.48%
2014	4,066	4,066	-	847,164	0.48%
2013	3,952	3,952	-	823,376	0.48%
2012	2,085	2,085	-	744,746	0.28%
2011	2,120	2,120	-	757,279	0.28%
2010	1,500	1,500	-	742,625	0.20%
2009	1,994	1,994	-	738,616	0.27%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

Town of Lawrenceville, Virginia

Notes to Required Supplementary Information – VRS OPEB GLI

For the Year Ended June 30, 2018

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

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
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)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

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

JRS Employees

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

Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

Town of Lawrenceville, Virginia

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability
and Related Ratios

	<u>2017</u>
Total HIC OPEB liability	
Service cost	\$ 1,822
Interest	3,271
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(3,534)
Benefit Payments	<u>(1,916)</u>
Net change in total HIC OPEB liability	(357)
Total HIC OPEB liability - beginning	<u>47,688</u>
Total HIC OPEB liability - ending (a)	<u>\$ 47,331</u>
Plan fiduciary net position	
Contributions - employer	\$ 3,186
Net investment income	3,381
Benefit Payments	(1,916)
Administrative expense	(57)
Other	<u>165</u>
Net change in plan fiduciary net position	4,759
Plan fiduciary net position - beginning	<u>28,363</u>
Plan fiduciary net position - ending (b)	<u>\$ 33,122</u>
Political subdivision's net HIC OPEB liability - ending (a) - (b)	<u>\$ 14,209</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	69.98%
Covered payroll	\$ 965,436
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	1.47%

Town of Lawrenceville, Virginia

Schedule of Employer Contributions - VRS HIC OPEB

For the Years Ended June 30, 2009 through 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)		
2018	\$ 2,986	\$ 2,986	\$ -	\$ 904,839	0.33%
2017	3,186	3,186	-	965,436	0.33%
2016	2,736	2,736	-	911,873	0.30%
2015	2,661	2,661	-	887,061	0.30%
2014	3,289	3,289	-	843,385	0.39%
2013	2,905	2,905	-	744,746	0.39%
2012	2,953	2,953	-	757,279	0.39%
2011	4,456	4,456	-	742,625	0.60%
2010	4,432	4,432	-	738,616	0.60%
2009	3,926	3,926	-	701,092	0.56%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

Town of Lawrenceville, Virginia

Notes to Required Supplementary Information – VRS HIC OPEB

For the Year Ended June 30, 2018

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 Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

Town of Lawrenceville, Virginia

Statement of Net Position

Discretely Presented Component Unit - EDA

Economic Development Authority of the Town of Lawrenceville, Virginia

June 30, 2018

Assets

Current Assets

Cash	\$ 22,513
Rent receivable	<u>1,000</u>
Total Current Assets	23,513

Capital Assets

Land	70,800
Buildings	342,995
Less: Accumulated depreciation	<u>(29,930)</u>
Net Capital Assets	<u>383,865</u>
Total Assets	<u><u>\$ 407,378</u></u>

Liabilities and Net Position

Liabilities	\$ -
Net Position	
Net investment in capital assets	383,865
Unrestricted	<u>23,513</u>
Total Net Position	<u>407,378</u>
Total Liabilities and Net Position	<u><u>\$ 407,378</u></u>

Town of Lawrenceville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Discretely Presented Component Unit - EDA

Economic Development Authority of the Town of Lawrenceville, Virginia

Year Ended June 30, 2018

Operating Revenues

Rental income	\$	6,000
Contribution from Town		<u>5,000</u>
Total Operating Revenues		11,000

Operating Expenses

Depreciation		8,506
Advertising		179
Repairs and maintenance		4,713
Professional fees		<u>1,500</u>
Total Operating Expenses		<u>14,898</u>

Change in Net Position		(3,898)
Net Position - Beginning of Year		<u>411,276</u>
Net Position - End of Year	\$	<u><u>407,378</u></u>

Town of Lawrenceville, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - EDA

Economic Development Authority of the Town of Lawrenceville, Virginia

Year Ended June 30, 2018

Cash Flows from Operating Activities

Receipts from customers and contributions	\$ 10,500
Payments to suppliers	<u>(6,392)</u>

Net Cash Provided by Operating Activities	4,108
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Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	<u>(6,600)</u>
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Net Cash Used in Capital and Related Financing Activities	<u>(6,600)</u>
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Decrease in Cash and Cash Equivalents	(2,492)
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Cash and Cash Equivalents - Beginning of Year	<u>25,005</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 22,513</u></u>
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Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating loss	\$ (3,898)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities</i>	
Depreciation	8,506
<i>Changes in assets and liabilities</i>	
Rent receivable	<u>(500)</u>

Net Cash Provided by Operating Activities	<u><u>\$ 4,108</u></u>
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OTHER INFORMATION

Table 1

Town of Lawrenceville, Virginia

General Governmental Revenues by Source

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Recovered Costs</u>	<u>Miscellaneous</u>	<u>Inter-Governmental</u>	<u>Total</u>
2009	\$ 238,255	\$ 443,490	\$ 42,283	\$ 2,785	\$ 100,975	\$ -	\$ 240,927	\$ 79,693	\$ 1,148,408
2010	227,811	450,773	58,708	4,874	102,878	-	168,248	54,802	1,068,094
2011	256,687	470,928	85,834	1,853	110,387	-	228,685	106,709	1,261,083
2012	221,624	476,449	97,367	3,514	94,352	-	128,621	286,389	1,308,316
2013	230,539	453,127	103,472	1,620	86,953	-	156,807	257,267	1,289,785
2014	229,932	543,215	93,579	3,659	76,793	-	310,285	168,737	1,426,200
2015	227,063	604,435	74,520	25,364	78,176	-	96,797	573,360	1,679,715
2016	239,730	451,850	65,357	17,650	79,777	-	257,839	159,887	1,272,090
2017	262,465	427,702	69,480	11,720	76,098	-	145,129	117,753	1,110,347
2018	189,483	371,268	42,907	36,898	96,591	33,680	119,345	214,013	1,104,185

Town of Lawrenceville, Virginia

General Governmental Expenditures by Function

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Debt Service</u>	<u>Total</u>
2009	\$ 197,694	\$ 645,076	\$ 390,319	\$ -	\$ 109,488	\$ 145,941	\$ 1,488,518
2010	191,513	557,686	313,872	-	56,735	129,053	1,248,859
2011	288,638	677,898	347,904	-	32,094	173,234	1,519,768
2012	227,510	643,334	389,365	-	98,481	240,737	1,599,427
2013	442,270	724,251	380,155	-	228,532	152,552	1,927,760
2014	238,114	746,734	401,918	-	127,693	361,473	1,875,932
2015	273,929	792,637	403,358	-	751,089	78,267	2,299,280
2016	297,107	666,784	425,180	-	202,973	78,758	1,670,802
2017	311,688	680,183	447,613	-	72,127	43,666	1,555,277
2018	278,966	604,890	493,815	5,699	88,022	60,374	1,531,766

COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

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

To the Town Council
Town of Lawrenceville, 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, and each major fund of the Town of Lawrenceville, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Lawrenceville, Virginia's basic financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Creedle Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
March 5, 2019