TOWN OF STRASBURG, VIRGINIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TOWN OF STRASBURG, VIRGINIA

Annual Financial Report
For the Fiscal Year Ended June 30, 2018

TOWN OF STRASBURG, VIRGINIA

Strasburg, Virginia

OFFICIALS

Rich Orndorff, Jr., Mayor
Wyatt Pearson, Town Manager
Angela Fletcher, Director of Finance

TOWN COUNCIL

Barbara Plitt	Emily Reynolds
Ken Cherrix	Kim Bishop
S. John Massoud	Jocelyn Vena
Taralyn Nicholson	Scott E. Terndrup

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Town Council
Town of Strasburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 2 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75 and to correct an error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-14, 91, and 92-104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Strasburg, Virginia's basic financial statements. The statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Town of Strasburg, 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 Strasburg, 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 Strasburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2018

The Management Discussion and Analysis (MD&A) offers an overview and analysis of the financial activities of the Town of Strasburg for the fiscal year ended June 30, 2018. The information presented here should be considered in conjunction with additional information provided in the Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

The assets of the Town exceeded its liabilities at June 30, 2018 by $34,511,565 which equals the total net position of the Town. Of this amount, $8,024,505 is unrestricted and may be used to meet the Town's future obligations. Of the $8,024,505 unrestricted net position, approximately $2,966,256 is related to governmental activities and is undesignated and available for future General Fund expenditures. The $5,058,249 remaining balance of unrestricted net position is related to business-type activities, which includes the Town's enterprise fund.

The Town's total long-term debt decreased by $188,684 from $29,908,134 as of June 30, 2017 to $29,719,450 as of June 30, 2018. The decrease was due to paying off debt and completing capital projects.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds.

The Town's governmental funds reported revenues and other financing sources in excess of expenditures in the amount of $17,604 for the fiscal year; with an ending fund equity balance of $3.1 million of that amount $71,227 is restricted for proffers, $49,637 is restricted for asset forfeiture for the Police Department.

The Town's proprietary funds reported a change in the net position of $267,000 mainly due to completion of construction projects at the waste water treatment plant and the construction of a new public works facility. These funds will be used to offset expenses for future capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis serves as an introduction to the Town's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

The Town's financial statements present two kinds of statements, each with a different view of the Town's finances. The government-wide financial statements provide both long and short-term information about the Town's overall financial status. The fund financial statements focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data. The statements and notes are followed by required supplementary information that contains more detailed data.

Government-wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report the Town's net position and how they have changed during the fiscal year.

The Statement of Net Position and the Statement of Activities report the Town's net position and changes in assets. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial position.

Governmental activities – Most of the Town's basic services are reported here; general government, police, public works, and recreation. Property taxes, and other taxes, finance most of these activities.

Business-type activities – The financial activity of the water, sewer and trash are reported here. The Town charges a fee to customers to help cover all or most of the cost of services provided by these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to report most of the Town's basic services. The funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that is available for spending. The governmental funds financial statements provide a detailed short-term view that shows 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 additional long-term focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and consequently, the largest of the governmental funds. All other governmental funds, which include special revenue funds, debt service funds, and capital project funds, are collectively referred to as non-major governmental funds.

Proprietary Funds

Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The Town maintains three proprietary funds. The Town uses enterprise funds to account for its water, sewer and trash.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's total assets, liabilities and net position on a government-wide basis are summarized below:

Summary of Statement of Net Position
as of June 30, 2018
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 4,991	$ 4,747	$ 5,856	$ 6,575	$ 10,847	$ 11,322
Capital assets	7,318	7,241	48,521	49,222	55,839	56,463
Total Assets	$ 12,309	$ 11,988	$ 54,377	$ 55,797	$ 66,686	$ 67,785
Deferred outflows of resources	$ 264	$ 274	$ 229	$ 287	$ 493	$ 561
Long-term debt outstanding	$ 930	$ 1,286	$ 27,774	$ 28,342	$ 28,704	$ 29,628
Other liabilities	1,115	1,509	1,656	2,982	2,771	4,491
Total Liabilities	$ 2,045	$ 2,795	$ 29,430	$ 31,324	$ 31,475	$ 34,119
Deferred inflows of resources	$ 1,028	$ 886	$ 165	$ 16	$ 1,193	$ 902
Net Position						
Net investment in capital assets	$ 6,370	$ 6,278	$ 19,953	$ 21,167	$ 26,323	$ 27,445
Restricted asset forfeitures	50	40	-	-	50	40
Restricted for other purposes	71	72	246	-	317	72
Unrestricted	3,009	2,191	4,812	3,577	7,821	5,768
Total net position	$ 9,500	$ 8,581	$ 25,011	$ 24,744	$ 34,511	$ 33,325

The Town's combined net position increased from $34 million at June 30, 2017 to $35 million at June 30, 2018 primarily due to an increase in capital assets in business type activities. The majority (76 percent) of the Town's net position of governmental activities is invested in capital assets (streets, drainage, constructions in progress, buildings, equipment, etc.) The capital assets are not available for future expenditures since they will not be sold. The Town has a strong financial position with 23 percent of net position in governmental activities unrestricted and available for providing services to the citizens of the Town of Strasburg.

The net position of the Town's business-type activities is $25 million. The majority (76 percent) of the net position in the business-type activities is invested in capital assets. The Town uses the unrestricted net position to upgrade water and sewer lines, maintain the water treatment plant and wastewater treatment plant.

Statement of Activities

The Town's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	$ (358,859)	$ (631,657)	$ -	$ -	$ (358,859)	$ (631,657)
Public safety	(1,557,553)	(1,618,902)	-	-	(1,557,553)	(1,618,902)
Public works	(940,297)	(866,226)	-	-	(940,297)	(866,226)
Health and welfare	(10,569)	(10,236)	-	-	(10,569)	(10,236)
Community development	(139,839)	(85,929)	-	-	(139,839)	(85,929)
Parks, recreation and cultural	(158,183)	(188,404)	-	-	(158,183)	(188,404)
Interest on long-term debt	(27,573)	(33,567)	-	-	(27,573)	(33,567)
Total government activities	$ (3,192,873)	$ (3,434,921)	$ -	$ -	$ (3,192,873)	$ (3,434,921)
Business-type activities:						
Water Fund	$ -	$ -	$ 87,667	$ 22,852	$ 87,667	$ 22,852
Sewer Fund	-	-	133,756	1,379,327	133,756	1,379,327
Trash Fund	-	-	(12,636)	(11,859)	(12,636)	(11,859)
Total business-type activities	$ -	$ -	$ 208,787	$ 1,390,320	$ 208,787	$ 1,390,320
Total primary government	$ (3,192,873)	$ (3,434,921)	$ 208,787	$ 1,390,320	$ (2,984,086)	$ (2,044,601)
General revenues:						
General property taxes	$ 1,774,648	$ 1,749,159	$ -	$ -	$ 1,774,648	$ 1,749,159
Local sales tax	388,597	375,711	-	-	388,597	375,711
Franchise taxes	111,074	104,147	-	-	111,074	104,147
Business licenses	131,925	122,849	-	-	131,925	122,849
Meals tax	735,500	713,532	-	-	735,500	713,532
Utility tax	165,133	142,684	-	-	165,133	142,684
Motor vehicle licenses	185,071	125,751	-	-	185,071	125,751
Other taxes	389,570	385,251	-	-	389,570	385,251
Grants and contributions not restricted to specific programs	159,829	161,691	-	-	159,829	161,691
Revenue from the use of money and property	108,020	80,640	45,946	45,539	153,966	126,179
Loss on disposal of assets	-	-	(41,923)	-	(41,923)	-
Miscellaneous	3,749	55,647	13,461	21,405	17,210	77,052
Transfers	(40,647)	-	40,647	-	-	-
Total general revenues	$ 4,112,469	$ 4,017,062	$ 58,131	$ 66,944	$ 4,170,600	$ 4,084,006
Change in net position	$ 919,596	$ 582,141	$ 266,918	$ 1,457,264	$ 1,186,514	$ 2,039,405
Net position - beginning,	8,580,657	8,137,370	24,744,394	23,708,582	33,325,051	31,845,952
Effect of change in accounting principle	-	(138,854)	-	(421,452)	-	(560,306)
Net position - ending	$ 9,500,253	$ 8,580,657	$ 25,011,312	$ 24,744,394	$ 34,511,565	$ 33,325,051

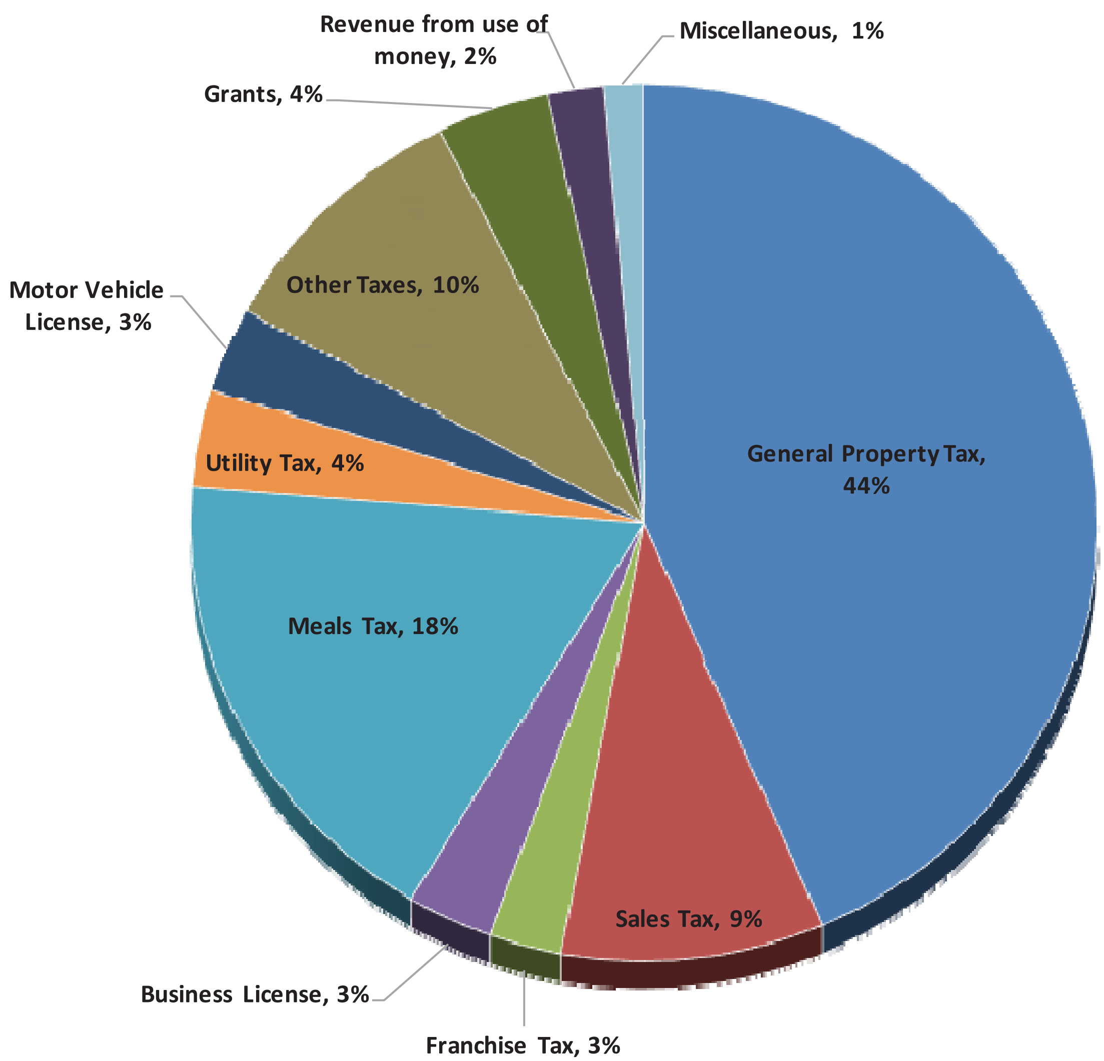
Governmental Activities

Revenues

Revenues from governmental activities totaled $4.1 million, general property taxes and other taxes are the largest component of revenue (94 percent). General property tax revenues were $1.8 million, an increase of 1.5 percent. The Town received reimbursement of $138,898 from the Commonwealth of Virginia for taxes on individual automobiles.

Other local taxes and fees including revenue from local sales, franchise tax, business licenses, and meals taxes were $2.5 million, an increase of 27 percent from June 30, 2017 the increase was mainly due to slight increases in each category paired with an increase in DMV stop fees.

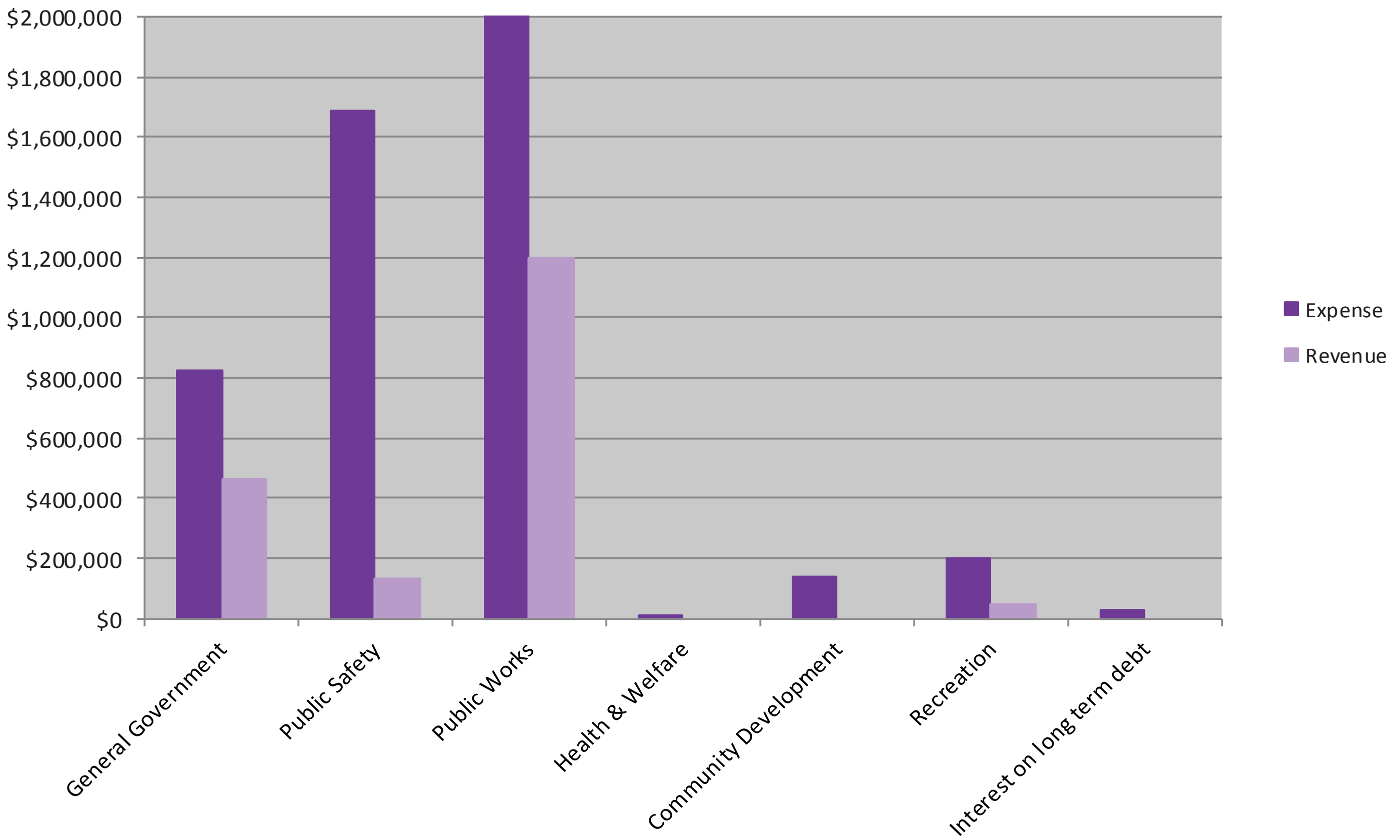
Revenue by Source-Governmental Activities



Expenses

Expenses for governmental activities totaled $5.0 million, which was an increase by $1.0 million over the previous year. This increase is due to construction of a pavilion and event space. The Public Safety and Public Works departments account for 76 percent of the total expenses for governmental activities.

Program Expenses and Program Revenues – Governmental Activities



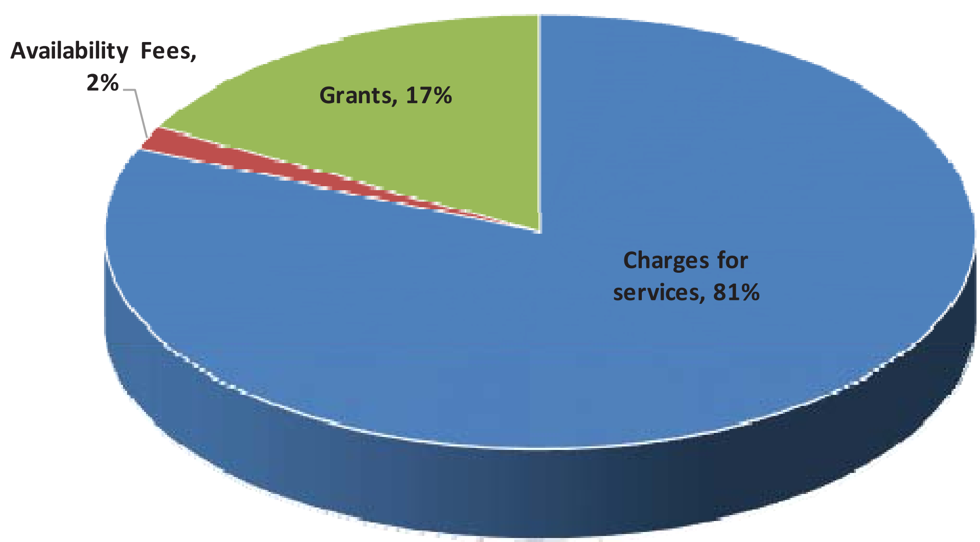
Business-type Activities

The Town's business-type activities are comprised of enterprise funds for water, sewer, and trash. Net position of these business-type activities increased by $266,918, this is mainly due to construction in the previous year at the waste water treatment plant and grant funds received from DEQ.

Revenues

Revenue for all business-type activities totaled $5.4 million, which is an 8.6 percent decrease over 2017. The decrease is due to receiving less grant funds than in the previous year.

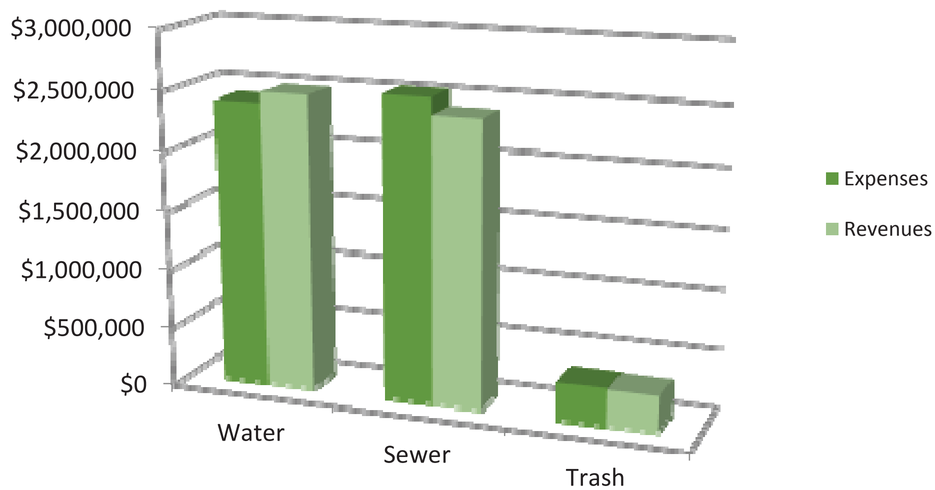
Revenues by Source - Business-type Activities



Expenses:

Expenses totaled $5.2 million, which was an increase of $668,438 over 2017. The increase was due to the upgrade to the Wastewater Treatment Plant and the new Public Works Facility.

Expenses and Program Revenues – Business-type Activities



The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

FUND FINANCIAL ANALYSIS

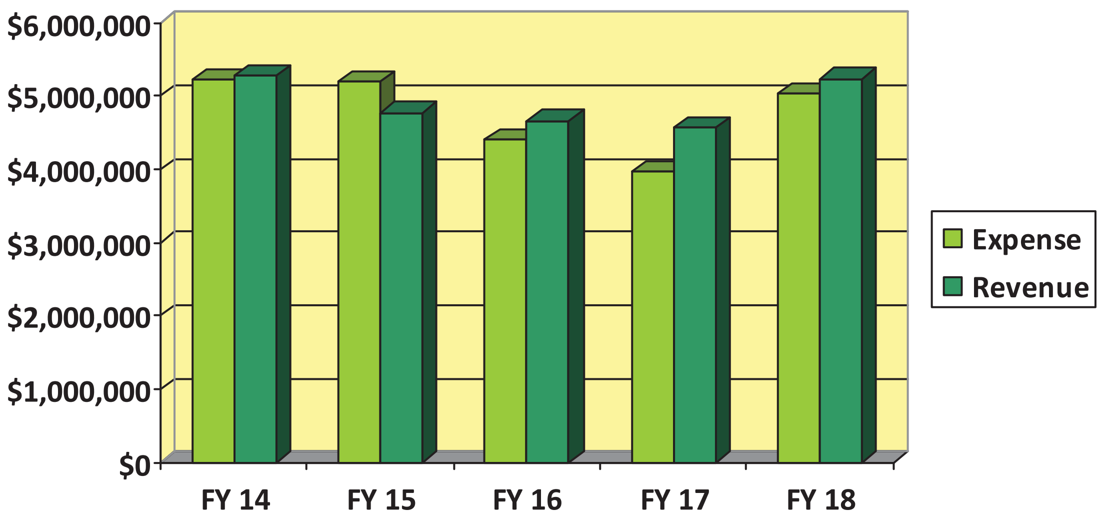
Governmental Funds

Governmental Funds include the General Fund of which the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The chief operating fund of the Town is the General Fund. At the end of 2018, the unassigned fund balance was $2.1 million which reflects a decrease of $20,000 over 2017. The graph below shows General Fund summary financial information for the past five years.

Five Year General Fund Financial Summary



General Fund Budgetary Highlights

Actual revenues exceeded expenditures by $707,635 in the General Fund, 2018 actual revenues were $1.6 million more than fiscal year 2017 revenues. The main reason for the increase is the town received more federal and state funds than in 2017.

Actual expenditures were approximately $446,913 more than 2017 expenditures. The increase was due to increased Capital Projects.

Proprietary Funds

The Town's proprietary funds are comprised of water, sewer and trash. The Town accounts for these three proprietary accounts as enterprise funds.

Water Fund

The Water Fund ended 2018 with unrestricted net position of $3.0 million which can be used for future fund expenses.

Sewer Fund

The Sewer Fund ended 2018 with unrestricted net position of $2.0 million which can be used for future fund expenses.

Trash Fund

Revenue in the Trash Fund in 2018 was supplemented from the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

2018 primary government investment in capital assets for its governmental and business-type activities was $55.8 million, net of depreciation (see chart below).

Capital Assets (net of depreciation in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Land and improvements	$ 639	$ 639	$ 405	$ 405	$ 1,044	$ 1,044
Buildings and improvements	1,644	823	27	46	1,671	869
Infrastructure	3,858	4,083	47,318	19,617	51,176	23,700
Furniture, equipment & vehicles	454	495	445	474	899	969
Construction in Progress	724	1,200	326	28,380	1,050	29,580
Total	$ 7,318	$ 7,240	$ 48,521	$ 48,922	$ 55,839	$ 56,162

Total Capital Assets at June 30, 2018 were $55.8 million compared to $56.2 million at June 30, 2017, resulting in a decrease of approximately $323,000 in the total Capital Assets. The majority of this increase is due to the construction at the waste water treatment plant and public works facility.

Water and sewer lines continue to make up a majority of the capital assets in the Business-type activity, with streets and roadways in the Government-type activity.

Additional information on the Town's capital assets may be found in the notes to financial statements.

Long-term Debt

The Town's total outstanding debt at the end of 2018 was $30.3 million, with $29.1 million in business-type activities and $1.2 million in governmental activities. Capital leases and vacation pay are included in outstanding debt.

Town of Strasburg Outstanding Debt
General Obligation and Revenue Bonds
June 30, 2018
(In millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
General Obligation Bonds	$ 753	$ 916	$ 28,550	$ 28,561	$ 29,303	$ 29,477
Unamortized bond premium	48	58	177	198	225	256
Capital Lease	104	118	87	56	191	174
Compensated Absences	117	110	100	109	217	219
Net Pension Liability	77	241	68	239	145	480
Net OPEB Liability	129	150	113	131	242	281
Total	**$ 1,228**	**$ 1,593**	**$ 29,095**	**$ 29,294**	**$ 30,323**	**$ 30,887**

Additional information on the Town’s long-term obligations can be found in the notes to the financial statements, Note 9-Long Term Obligations.

ECONOMIC FACTORS

Growth in the Town is beginning to pick up. Three development applications are progressing towards approval and construction, that will total 400+ new residential units, and 30+ acres of new commercial property. Earnings on idle cash continues to remain low.

The Town of Strasburg has completed the construction of an upgrade to the wastewater treatment plant and a new public works facility. The downtown events space is almost complete. Future capital projects are; Phase III & IV of the Streetscape, the Gateway Trail, and the extension of Borden Mowery Drive.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Town’s finances for those with an interest in the Town’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance or Town Manager, Town of Strasburg, PO Box 351, Strasburg, VA 22657

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,390,741	$ 4,408,712	$ 7,799,453
Receivables			
Taxes, net of allowance of $28,696	988,614	-	988,614
Accounts, net of allowance of $36,295	93,862	610,923	704,785
Due from other governmental units	380,186	-	380,186
Inventory	15,831	479,251	495,082
Restricted assets:			
Cash and cash equivalents	120,864	356,997	477,861
Capital assets:			
Nondepreciable:			
Land	$ 639,469	$ 404,837	$ 1,044,306
Construction in progress	723,837	325,727	1,049,564
Depreciable, net of accumulated depreciation:			
Furniture, equipment, and vehicles	453,597	444,914	898,511
Buildings and improvements	1,643,695	27,010	1,670,705
Infrastructure	3,857,789	47,318,291	51,176,080
Total capital assets, net	$ 7,318,387	$ 48,520,779	$ 55,839,166
Total assets	$ 12,308,485	$ 54,376,662	$ 66,685,147
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	$ 251,247	$ 217,876	$ 469,123
OPEB related items	13,353	11,703	25,056
Total deferred outflows of resources	$ 264,600	$ 229,579	$ 494,179
LIABILITIES			
Accounts payable	$ 520,949	$ 153,898	$ 674,847
Contracts and retainage payable	43,590	-	43,590
Other liabilities	61,981	26,291	88,272
Customer deposits	-	111,006	111,006
Accrued interest payable	6,882	43,479	50,361
Unearned revenue-other	183,379	-	183,379
Noncurrent liabilities:			
Due within one year	298,661	1,320,510	1,619,171
Due in more than one year	929,760	27,774,342	28,704,102
Total liabilities	$ 2,045,202	$ 29,429,526	$ 31,474,728
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	$ 853,198	$ -	$ 853,198
Pension related items	157,628	150,676	308,304
OPEB related items	16,804	14,727	31,531
Total deferred inflows of resources	$ 1,027,630	$ 165,403	$ 1,193,033
NET POSITION			
Net investment in capital assets	$ 6,369,543	$ 19,953,063	$ 26,322,606
Restricted for debt service	-	246,480	246,480
Restricted asset forfeitures	49,637	-	49,637
Restricted for proffers	71,227	-	71,227
Unrestricted	3,009,846	4,811,769	7,821,615
Total net position	$ 9,500,253	$ 25,011,312	$ 34,511,565

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

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Town of Strasburg, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 823,092	$ 65,704	$ -	$ 398,529
Public safety	1,722,076	-	129,523	-
Public works	2,136,644	-	1,196,347	-
Health and welfare	10,569	-	-	-
Community development	139,839	-	-	-
Parks, recreation and cultural	166,666	43,483	-	-
Interest on long-term debt	27,573	-	-	-
Total governmental activities	$ 5,026,459	$ 109,187	$ 1,325,870	$ 398,529
Business-type activities:				
Water Fund	$ 2,390,787	$ 2,316,231	$ -	$ 162,223
Sewer Fund	2,525,810	2,226,086	-	433,480
Trash Fund	313,627	300,991	-	-
Total business-type activities	$ 5,230,224	$ 4,843,308	$ -	$ 595,703
Total primary government	$ 10,256,683	$ 4,952,495	$ 1,325,870	$ 994,232

General revenues:
General property taxes
Other local taxes:
Local sales tax
Franchise taxes

Business licenses
Meals tax
Utility tax
Motor vehicle licenses
Other taxes
Grants and contributions not restricted to specific programs
Revenue from the use of money and property
Loss on disposal of assets
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (358,859)	$ -	$ (358,859)
(1,592,553)	-	(1,592,553)
(940,297)	-	(940,297)
(10,569)	-	(10,569)
(139,839)	-	(139,839)
(123,183)	-	(123,183)
(27,573)	-	(27,573)
$ (3,192,873)	$ -	$ (3,192,873)
$ -	$ 87,667	$ 87,667
-	133,756	133,756
-	(12,636)	(12,636)
$ -	$ 208,787	$ 208,787
$ (3,192,873)	$ 208,787	$ (2,984,086)
$ 1,774,648	$ -	$ 1,774,648
388,597	-	388,597
111,074	-	111,074
		-
131,925	-	131,925
735,500	-	735,500
165,133	-	165,133
185,071	-	185,071
389,570	-	389,570
159,829	-	159,829
108,020	45,946	153,966
-	(41,923)	(41,923)
3,749	13,461	17,210
(40,647)	40,647	-
$ 4,112,469	$ 58,131	$ 4,170,600
$ 919,596	$ 266,918	$ 1,186,514
8,580,657	24,744,394	33,325,051
$ 9,500,253	$ 25,011,312	$ 34,511,565

FUND FINANCIAL STATEMENTS

Town of Strasburg, Virginia **Exhibit 3**
Balance Sheet
Governmental Fund
June 30, 2018

		General
ASSETS		
Cash and cash equivalents	$	3,390,741
Receivables:		
Taxes, net of allowance of $28,696		988,614
Accounts		93,862
Due from other governmental units		380,186
Inventory		15,831
Total current assets	$	4,869,234
Restricted assets:		
Cash and cash equivalents	$	120,864
Total assets	$	4,990,098
LIABILITIES		
Accounts payable	$	520,949
Other liabilities		61,981
Retainage payable		43,590
Unearned revenue - other		183,379
Total liabilities	$	809,899
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	$	1,039,089
Total deferred inflows of resources	$	1,039,089
FUND BALANCES		
Nonspendable		
Inventory	$	15,831
Restricted:		
Proffers		71,227
Assets forfeitures		49,637
Committed:		
Construction		891,350
Unassigned		2,113,065
Total fund balances	$	3,141,110
Total liabilities, deferred inflows of resources, and fund balances	$	4,990,098

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

Town of Strasburg, Virginia **Exhibit 4**
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			$	3,141,110
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land	$	639,469		
Construction in progress		723,837		
Buildings and improvements		1,643,695		
Furniture, fixtures and equipment		453,597		
Infrastructure		3,857,789		7,318,387
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.				
Unavailable revenue - property taxes				185,891
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.				
Pension related items	$	251,247		
OPEB related items		13,353		264,600
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Compensated absences	$	(116,940)		
General obligation bonds, net of original issue premium		(801,564)		
Capital leases		(103,690)		
Accrued interest payable		(6,882)		
Net pension liability		(77,357)		
Net OPEB liabilities		(128,870)		(1,235,303)
Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.				
Pension related items	$	(157,628)		
OPEB related items		(16,804)		(174,432)
Net position of governmental activities			$	9,500,253

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

Town of Strasburg, Virginia **Exhibit 5**
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2018

		General
REVENUES		
General property taxes	$	1,845,728
Other local taxes		2,106,870
Permits, privilege fees, and regulatory licenses		34,991
Fines and forfeitures		30,713
Miscellaneous		124,811
Revenue from the use of money and property		108,020
Charges for services		43,483
Intergovernmental:		
Commonwealth		1,478,849
Federal		405,379
Total revenues	$	6,178,844
EXPENDITURES		
Current:		
General government administration	$	556,163
Public safety		1,675,417
Public works		1,916,320
Health and welfare		10,569
Parks, recreation, and cultural		148,837
Community development		136,152
Capital projects:		
Administrative		686,344
Public safety		58,251
Public works		1,396
Parks, recreation, and cultural		7,166
Debt service:		
Principal		236,368
Interest		38,226
Total expenditures	$	5,471,209
Excess (deficiency) of revenues over (under) expenditures	$	707,635
OTHER FINANCING SOURCES (USES)		
Transfers out	$	(40,647)
Issuance of capital leases		58,251
Total other financing sources (uses)	$	17,604
Net change in fund balance	$	725,239
Fund balance, beginning of year		2,415,871
Fund balance, end of year	$	3,141,110

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

Town of Strasburg, Virginia **Exhibit 6**
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds		$ 725,239
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 604,145	
Depreciation expense	(405,783)	198,362
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position.		
Proceeds from disposal of assets		(121,062)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.		
Property taxes		(71,080)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuances of capital leases	(58,251)	
Amortization of premium on bond issue	9,366	
Principal repayments	236,368	187,483
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	1,286	
Change in compensated absences	(7,070)	
Pension expense	(93)	
OPEB expense	6,531	654
Change in net position of governmental activities		$ 919,596

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

Town of Strasburg, Virginia **Exhibit 7**
Statement of Net Position
Proprietary Funds
June 30, 2018

	Water Fund	Sewer Fund	Trash Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,642,133	$ 1,766,579	$ -	$ 4,408,712
Receivables:				
Accounts, net of allowance for uncollectible accounts $36,295	284,534	285,366	41,023	610,923
Inventory	309,418	169,833	-	479,251
Total current assets	$ 3,236,085	$ 2,221,778	$ 41,023	$ 5,498,886
Restricted assets:				
Cash and cash equivalents	$ 233,757	$ 123,240	$ -	$ 356,997
Total restricted assets	$ 233,757	$ 123,240	$ -	$ 356,997
Capital assets, net of accumulated depreciation	$ 17,839,621	$ 30,681,158	$ -	$ 48,520,779
Total assets	$ 21,309,463	$ 33,026,176	$ 41,023	$ 54,376,662
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 117,088	$ 100,788	$ -	$ 217,876
OPEB related items	6,302	5,401	-	11,703
Total deferred outflows of resources	$ 123,390	$ 106,189	$ -	$ 229,579
LIABILITIES				
Current liabilities:				
Accounts payable	$ 53,189	$ 100,709	$ -	$ 153,898
Accrued wages	14,107	12,184	-	26,291
General obligation bonds payable current portion	361,622	855,496	-	1,217,118
Capital leases current portion	21,723	21,723	-	43,446
Compensated absences current portion	31,312	28,634	-	59,946
Customer deposits	111,006	-	-	111,006
Accrued interest payable	31,168	12,311	-	43,479
Total current liabilities	$ 624,127	$ 1,031,057	$ -	$ 1,655,184
Noncurrent liabilities:				
Compensated absences, net of current portion	$ 20,875	$ 19,089	$ -	$ 39,964
General obligation bonds payable, net of current portion	11,219,244	16,290,760	-	27,510,004
Capital leases, net of current portion	21,814	21,814	-	43,628
Net pension liability	36,513	31,285	-	67,798
Net OPEB liabilities	60,827	52,121		112,948
Total noncurrent liabilities	$ 11,359,273	$ 16,415,069	$ -	$ 27,774,342
Total liabilities	$ 11,983,400	$ 17,446,126	$ -	$ 29,429,526
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 79,623	$ 71,053	$ -	$ 150,676
OPEB related items	7,931	6,796	-	14,727
Total deferred inflows of resources	$ 87,554	$ 77,849	$ -	$ 165,403
NET POSITION				
Net investment in capital assets	$ 6,338,458	$ 13,614,605	$ -	$ 19,953,063
Restricted for debt service	123,240	123,240	-	246,480
Unrestricted	2,900,201	1,870,545	41,023	4,811,769
Total net position	$ 9,361,899	$ 15,608,390	$ 41,023	$ 25,011,312

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

Town of Strasburg, Virginia **Exhibit 8**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Trash Fund	Total
OPERATING REVENUES				
Charges for services:				
Sale of water	$ 2,231,069	$ -	$ -	$ 2,231,069
Sewer service charges	-	2,217,136	-	2,217,136
Trash collection fees	-	-	300,991	300,991
Late payment charges	85,162	8,950	-	94,112
Miscellaneous	11,669	1,792	-	13,461
Total operating revenues	$ 2,327,900	$ 2,227,878	$ 300,991	$ 4,856,769
OPERATING EXPENSES				
Water treatment facilities, transmission and distribution	$ 530,748	$ -	$ -	$ 530,748
Personnel	1,024,100	965,965	-	1,990,065
Operation and maintenance	-	916,565	-	916,565
Trash collection	-	-	313,627	313,627
Depreciation	524,251	601,985	-	1,126,236
Total operating expenses	$ 2,079,099	$ 2,484,515	$ 313,627	$ 4,877,241
Net operating income (loss)	$ 248,801	$ (256,637)	$ (12,636)	$ (20,472)
NONOPERATING REVENUES (EXPENSES)				
Interest income	$ 27,179	$ 18,767	$ -	$ 45,946
Interest expense	(311,688)	(41,295)	-	(352,983)
Loss of disposal of assets	(41,923)	-	-	(41,923)
Total nonoperating revenues (expenses)	$ (326,432)	$ (22,528)	$ -	$ (348,960)
Income (loss) before contributions	$ (77,631)	$ (279,165)	$ (12,636)	$ (369,432)
Capital contributions and construction grants	$ 162,223	$ 433,480	$ -	$ 595,703
OPERATING TRANSFERS				
Transfers in	$ -	$ -	$ 40,647	$ 40,647
Change in net position	$ 84,592	$ 154,315	$ 28,011	$ 266,918
Net position - beginning, as restated	9,277,307	15,454,075	13,012	24,744,394
Net position - ending	$ 9,361,899	$ 15,608,390	$ 41,023	$ 25,011,312

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

Town of Strasburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 9

	Water Fund	Sewer Fund	Trash Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 2,362,276	$ 2,238,421	$ 300,624	$ 4,901,321
Payments to suppliers for goods and services	(850,608)	(1,117,426)	(341,271)	(2,309,305)
Payments to employees for services	(1,012,485)	(955,052)	-	(1,967,537)
Net cash provided by (used for) operating activities	$ 499,183	$ 165,943	$ (40,647)	$ 624,479
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	$ -	$ -	$ 40,647	$ 40,647
Net cash provided by (used for) noncapital financing activities	$ -	$ -	$ 40,647	$ 40,647
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset additions	$ (163,972)	$ (1,571,073)	$ -	$ (1,735,045)
Principal payments on bonds	(339,868)	(843,415)	-	(1,183,283)
Principal payments on lease obligations	(14,099)	(14,100)	-	(28,199)
Proceeds from indebtedness	29,850	1,201,482	-	1,231,332
Interest payments	(325,860)	(51,332)	-	(377,192)
Capital contributions from others	162,223	433,480	-	595,703
Net cash provided by (used for) capital and related financing activities	$ (651,726)	$ (844,958)	$ -	$ (1,496,684)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	$ 27,179	$ 18,767	$ -	$ 45,946
Net cash provided by (used for) investing activities	$ 27,179	$ 18,767	$ -	$ 45,946
Net increase (decrease) in cash and cash equivalents	$ (125,364)	$ (660,248)	$ -	$ (785,612)
Cash and cash equivalents (including restricted) - beginning	3,001,254	2,550,067	-	5,551,321
Cash and cash equivalents (including restricted) - ending	$ 2,875,890	$ 1,889,819	$ -	$ 4,765,709
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 248,801	$ (256,637)	$ (12,636)	$ (20,472)
Depreciation	524,251	601,985	-	1,126,236
(Increase) decrease in accounts receivable	31,518	10,543	(367)	41,694
(Increase) decrease in inventory	(69,801)	(10,932)	-	(80,733)
(Increase) decrease in deferred outflows of resouces	33,503	32,454	-	65,957
Increase (decrease) in customer deposits	2,858	-	-	2,858
Increase (decrease) in accounts payable	(250,059)	(189,929)	-	(439,988)
Increase (decrease) in accrued wages	2,803	1,965	-	4,768
Increase (decrease) in due to other funds	-	-	(27,644)	(27,644)
Increase (decrease) in compensated absences	(3,971)	(5,099)	-	(9,070)
Increase (decrease) in net pension liability	(90,200)	(80,548)	-	(170,748)
Increase (decrease) in net OPEB liabilities	(9,404)	(8,058)	-	(17,462)
Increase (decrease) in deferred inflows of resources	78,884	70,199	-	149,083
Net cash provided by (used for) operating activities	$ 499,183	$ 165,943	$ (40,647)	$ 624,479

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Strasburg, Virginia, (the "Town") was chartered as a Town in 1761. The Town is governed by a mayor and an eight-member Town Council, who are elected at large for staggered four-year terms.

A. Financial Reporting Entity

The Town of Strasburg, Virginia (the Town) is a municipal corporation governed by an elected mayor and eight-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units – There were no blended component units for the Town for the year ended June 30, 2018.

Discretely Presented Component Units – There were no discretely presented component units for the Town for the year ended June 30, 2018.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

The Water and Sewer Funds provide maintenance to the water and sewer lines and pump stations and derive the majority of their revenues through user charges and fees.

The Trash Fund provides trash collection and landfill disposal to the Town and derives the majority of its revenue through user charges.

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

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

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

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

Money market investments and external investment pools are measured at amortized cost. All other investments are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations.

2. 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 portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans.) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)

3. Property Taxes

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Shenandoah Commissioner of Revenue annually on property owned on January 1st and July 1st for real estate and January 1st for personal property. Town Council adopts tax rates in April of each year as a part of the budget process. Real and personal property taxes are levied as of January 1st and July 1st and are due on June 5th and December 5th of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 6th and June 6th. Unpaid real property taxes constitute a lien against the property. The Town bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes amounted to approximately $28,696 at June 30, 2018 and the allowance for uncollectible water, sewer and trash billings amounted to approximately $36,295 at June 30, 2018.

5. Inventory

Inventory is valued at cost, using the *first in, first out* method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

6. Use of Estimates

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

7. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized in the current year.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)

7. *Capital Assets (continued)*

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

Water plant	50 years
Sewer plant	30-50 years
Reservoir and storage	10-20 years
Lines and meters	10-50 years
Buildings and improvements	20 years
Maintenance building and equipment	30 years
Furniture, equipment and vehicles	5-50 years

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Pensions

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)

10. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Health Insurance Credit Program

The Town Health Insurance Credit (HIC) 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 HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision HIC Program, and the additions to/deductions from the VRS Political Subdivision HIC 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.

Political Subdivision Employee Virginia Local Disability Program (VLDP)

For purposes of measuring the net VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee VLDP; and the additions to/deductions from the VRS Political Subdivision Employee VLDP'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.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)

11. Long-term Obligations

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

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

12. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

In the general fund, the Town strives to maintain an unassigned fund balance to be used to fund unanticipated emergencies of $1.5 million or 30% of the total general fund operating expenditures.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)

13. Net Position

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

14. Net Position Flow Assumption

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

15. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTE 2 — ADOPTION OF ACCOUNTING PRINCIPLES AND CORRECTION OF AN ERROR:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Additionally, a restatement of beginning net assets was necessary to correct the balances of the Town's capital assets. The implementation of these Statements and adjustment to capital assets, resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities	Total Primary Government
Net Position as reported at June 30, 2017	$ 8,719,511	$ 25,165,846	$ 33,885,357
Implementation of GASB 75:			
To record the Group Life Insurance net OPEB liability and related deferred outflow of resources as of June 30, 2017	(131,631)	(115,369)	(247,000)
To record the HIC Program net OPEB liability and related deferred outflow of resources as of June 30, 2017	(7,756)	(6,794)	(14,550)
To record the VLDP Program net OPEB liability and related deferred outflow of resources as of June 30, 2017	533	467	1,000
To adjust capital asset balances as of June 30, 2017	-	(299,756)	(299,756)
Net Position as restated at June 30, 2017	$ 8,580,657	$ 24,744,394	$ 33,325,051

NOTE 3 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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 department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Council is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, except for the capital expense budget.
8. All budgetary data presented in the accompanying financial statements is the amended budget as of June 30.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2018, there were no funds in which expenditures exceeded appropriations.

C. Deficit Fund Equity

At June 30, 2018, none of the funds reported deficit fund equity.

NOTE 4 — 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.

NOTE 4 — DEPOSITS AND INVESTMENTS: (CONTINUED)

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), Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2018 were held by the Town or in the Town's name by the Town's custodial banks.

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2018 were rated by *Standard & Poor's* and/or an equivalent national rating organization and the ratings are presented below using the *Standard & Poor's* rating scale.

Rated Debt Investments' Values

Rated Debt Investments		Fair Quality Rating
		AAAm
Virginia State Non-Arbitrage Pool	$	246,481
Total	$	246,481

The Town invests funds in low risk investments backed by U.S. government agencies.

Interest Rate Risk

Investment Maturities (in years)

Investment Type		Fair Value		Less Than 1 Year		1-5 Years		6-10 Years		Greater Than 10 Years
Virginia State Non-Arbitrage Pool	$	246,481	$	246,481	$	-	$	-	$	-
Total	$	246,481	$	246,481	$	-	$	-	$	-

External Investment Pool

The fair value of the positions in the external investment pool is the same as the value of the pool shares. The State Non –arbitrage Pool is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 5 — RECEIVABLES:

Receivables as of year-end for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	General	Water	Sewer	Trash	Total
Receivables:					
Property taxes	$ 1,017,310	$ -	$ -	$ -	$ 1,017,310
Accounts	93,862	301,614	302,115	43,489	741,080
Gross receivables	$ 1,111,172	$ 301,614	$ 302,115	$ 43,489	$ 1,758,390
Less: allowance for uncollectibles	(28,696)	(17,080)	(16,749)	(2,466)	(64,991)
Net total receivables	$ 1,082,476	$ 284,534	$ 285,366	$ 41,023	$ 1,693,399

NOTE 6 — DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government Governmental Activities
Commonwealth of Virginia:	
Communications tax	$ 12,233
Auto rental tax	586
Sales tax	66,355
Total Commonwealth of Virginia	$ 79,174
Federal Government:	
Highway planning and construction	$ 13,445
Ground transportation safety	1,513
CDBG	286,054
Total Federal Government	$ 301,012
Total	$ 380,186

NOTE 7 — RESTRICTED ASSETS:

Restricted cash and cash equivalents consists of the following for June 30, 2018:

	General Fund	Water Fund	Sewer Fund	Total
Enterprise Funds				
Utility deposits	$ -	$ 110,517	$ -	$ 110,517
Reserved for debt service	-	123,240	123,240	246,480
Totals	$ -	$ 233,757	$ 123,240	$ 356,997
Governmental Funds				
Restricted for proffers	$ 71,227	$ -	$ -	$ 71,227
Restricted asset forfeitures	49,637	-	-	49,637
Totals	$ 120,864	$ -	$ -	$ 120,864

NOTE 8 — CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2018.
Governmental Activities:

	Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 639,469	$ -	$ -	$ -	$ 639,469
Construction in progress	1,199,989	491,153	(60,000)	(907,305)	723,837
Total capital assets not being depreciated	$ 1,839,458	$ 491,153	$ (60,000)	$ (907,305)	$ 1,363,306
Other capital assets:					
Buildings and improvements	$ 1,984,626	$ 12,483	$ (99,895)	$ 907,305	$ 2,804,519
Furniture, equipment and vehicles	2,995,173	100,509	(225,049)	-	2,870,633
Infrastructure	5,813,794	-	(195,738)	-	5,618,056
Total other capital assets	$ 10,793,593	$ 112,992	$ (520,682)	$ 907,305	$ 11,293,208
Accumulated depreciation:					
Buildings and improvements	$ (1,161,305)	$ (74,574)	$ 75,055	$ -	$ (1,160,824)
Furniture, equipment and vehicles	(2,499,447)	(142,638)	225,049	-	(2,417,036)
Infrastructure	(1,731,211)	(188,571)	159,515	-	(1,760,267)
Total accumulated depreciation	$ (5,391,963)	$ (405,783)	$ 459,619	$ -	$ (5,338,127)
Other capital assets, net	$ 5,401,630	$ (292,791)	$ (61,063)	$ 907,305	$ 5,955,081
Net capital assets	$ 7,241,088	$ 198,362	$ (121,063)	$ -	$ 7,318,387

Depreciation expense was allocated as follows:

General government administration	$ 96,161
Public safety	48,711
Public works	235,248
Parks, recreation and cultural	25,663
Total depreciation expense	$ 405,783

NOTE 8 — CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2017 (as restated)	Increases	Decreases	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 404,837	$ -	$ -	$ -	$ 404,837
Construction in progress	28,379,876	533,297	-	(28,587,446)	325,727
Total capital assets not being depreciated	$ 28,784,713	$ 533,297	$ -	$ (28,587,446)	$ 730,564
Other capital assets:					
Equipment and vehicles	$ 2,011,037	$ 133,108	$ (541,128)	$ -	$ 1,603,017
Buildings and improvements	259,117	-	(29,470)	-	229,647
Infrastructure	28,197,171	136,574	(290,293)	28,587,446	56,630,898
Total other capital assets	$ 30,467,325	$ 269,682	$ (860,891)	$ 28,587,446	$ 58,463,562
Accumulated depreciation:					
Equipment and vehicles	$ (1,536,865)	$ (106,103)	$ 484,865	$ -	$ (1,158,103)
Buildings and improvements	(213,191)	(8,405)	18,959	-	(202,637)
Infrastructure	(8,579,599)	(1,011,728)	278,720	-	(9,312,607)
Total accumulated depreciation	$ (10,329,655)	$ (1,126,236)	$ 782,544	$ -	$ (10,673,347)
Other capital assets, net	$ 20,137,670	$ (856,554)	$ (78,347)	$ 28,587,446	$ 47,790,215
Net capital assets	$ 48,922,383	$ (323,257)	$ (78,347)	$ -	$ 48,520,779

NOTE 9 — LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations

The following is a summary of changes in long-term obligations transactions of the Primary Government for the year ended June 30, 2018:

Governmental Activities:	Balance July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018
General obligation bonds	$ 916,706	$ -	$ 163,481	$ 753,225
Unamortized bond premium	57,706	-	9,366	48,340
Capital leases	118,325	58,251	72,887	103,689
Compensated absences	109,870	72,992	65,922	116,940
Net pension liability	241,131	659,068	822,842	77,357
Net OPEB liabilities	149,858	6,823	27,811	128,870
Total governmental activities	$ 1,593,596	$ 797,134	$ 1,162,309	$ 1,228,421
Business-type Activities:				
General obligation/revenue bonds	$ 28,561,830	$ 1,171,631	$ 1,183,283	$ 28,550,178
Unamortized bond premium	197,995	-	21,051	176,944
Capital lease	55,572	59,701	28,199	87,074
Compensated absences	108,980	56,318	65,388	99,910
Net pension liability	238,546	34,921	205,669	67,798
Net OPEB liabilities	131,344	5,980	24,376	112,948
Total business-type activities	$ 29,294,267	$ 1,328,551	$ 1,527,966	$ 29,094,852
Total	$ 30,606,661	$ 2,125,685	$ 2,690,275	$ 30,323,273

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

	Total Amount Due	Amount Due Within One Year
Governmental Activities:		
Capital Leases:		
$103,675 issued February 27, 2015, due in annual installments of $21,750, interest at 2.18%, beginning May 15, 2015, through May 15, 2019 for the purchase of a dump truck. $34,558 allocated to the general fund.	$ 7,058	$ 7,058
$27,416 issued December 2, 2015, due in monthly installments of $798, interest at 3%, beginning January 2, 2016 through December 2, 2018 for the purchase of one vehicle.	3,959	3,959
$60,000 issued March 30, 2017, due in monthly installments of $1,746, interest at 3.00%, beginning May 1, 2017 through April 1, 2020 for the purchase of two police vehicles.	35,669	20,150
$45,114 issued April 4, 2017, due in monthly installments of $1,333, interest at 4.00%, beginning May 4,2017, through April 4, 2020 for the purchase of a pickup truck. $15,339 allocated to the general fund.	9,173	5,162
$27,496 issued July 24, 2017, due in monthly installments of $819, interest at 4.50%, beginning August 24,2017, through July 24, 2020 for the purchase of a SUV.	19,475	9,136
$90,456 issued March 15, 2018, due in monthly installments of 2,708, interest at 4.85%, beginning April 15,2018, through May 15, 2021 for the purchase of two pickup trucks. $30,755 allocated to the general fund.	28,355	9,892
Total capital leases	$ 103,689	$ 55,357
General Obligation Bonds:		
Series 2004, $700,000, refinance of 1991 bonds issued October 26, 2004 payable in monthly installments of $5,094, through October 2019, with interest at 3.75%.	$ 79,425	$ 58,974
Series 2014A, $3,315,000 VRA bonds issued May 1 2014, $663,000 allocated to the general fund, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	594,000	25,000
Series 2014C, $805,000 refunding bonds issued November 15, 2014, $305,900 allocated to the general fund, payable in varying semi-annual installments, through October 1, 2018, with interest at 2.178274%.	79,800	79,800
Total general obligation bonds	$ 753,225	$ 163,774
Unamortized bond premium	$ 48,340	$ 9,367
Compensated absences	$ 116,940	$ 70,163
Net pension liability	$ 77,357	$ -
Net OPEB liabilities	$ 128,870	$ -
Total governmental activities	$ 1,228,421	$ 298,661

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations: (continued)

Business-type Activities:		
Capital leases:		
$103,675 issued February 27, 2015, due in annual installments of $21,750, interest at 2.18%, beginning May 15, 2015, through May 15, 2019 for the purchase of a dump truck. $69,117 allocated to the business-type activities.	$ 14,223	$ 14,223
$45,114 issued April 4, 2017, due in monthly installments of $1,333, interest at 4.00%, beginning May 4,2017, through April 4, 2020 for the purchase of a pickup truck. $29,775 allocated to the business-type activities.	17,807	10,020
$90,456 issued March 15, 2018, due in monthly installments of 2,708, interest at 4.85%, beginning April 15,2018, through May 15, 2021 for the purchase of two pickup trucks. $59,701 allocated to the business-type activities.	55,044	19,202
Total capital leases	$ 87,074	$ 43,445
General Obligation Bonds:		
Series 2001, $1,926,000 issued November 2000, payable in semi-annual installments of $48,150 through September 2022 at 0% interest.	$ 424,233	$ 94,701
Series 2009, $9,000,000 bonds issued October 5, 2008 payable in monthly installments of $31,860 through October 2049, with interest at 2.625%.	7,964,326	167,706
Series 2009, $2,554,000 bonds issued October 5, 2008 payable in monthly installments of $9,042 through October 2049, with interest at 2.625%.	2,254,428	47,749
Series 2014A, $3,315,000 VRA bonds issued May 1 2014, $2,652,000 allocated to the business-type activities, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	2,376,000	100,000
Series 2014, $16,392,792 VRA loan issued June 17, 2014 payable in semi-annual installments through June 17, 2042 when the principal is due with interest at 0%.	15,400,991	655,712
Series 2014C, $805,000 refunding bonds issued November 15, 2014, $499,100 allocated to the business-type activities, payable in varying semi-annual installments, through October 1, 2018, with interest at 2.178274%.	130,200	130,200
Total general obligation bonds	$ 28,550,178	$ 1,196,068
Unamortized bond premium	$ 176,944	$ 21,051
Compensated absences	$ 99,910	$ 59,946
Net pension liability	$ 67,798	$ -
Net OPEB liability	$ 112,948	$ -
Total Business-type Activities	$ 29,094,852	$ 1,320,510

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

The Town has entered into lease agreements for various equipment and vehicles. These leases are being treated as capital leases in accordance with accounting principles general accepted in the United States of America. The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	$ 195,564	$ 158,593
Accumulated depreciation	(48,234)	(27,978)
Total	$ 147,330	$ 130,615

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, were as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities
2019	$ 58,473	$ 46,542
2020	40,671	29,368
2021	9,029	16,005
Total minimum lease payments	$ 108,173	$ 91,915
Less: amount representing interest	(4,484)	(4,841)
Present value of minimum lease payments	$ 103,689	$ 87,074

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

Year	Governmental Activities					
Ending	Capital Leases		General Obligation Bonds		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 55,357	$ 3,116	$ 163,774	$ 27,029	$ 219,131	$ 30,145
2020	39,469	1,202	51,223	22,117	90,692	23,319
2021	8,863	166	27,000	20,958	35,863	21,124
2022	-	-	28,000	19,924	28,000	19,924
2023	-	-	29,000	18,743	29,000	18,743
2024	-	-	30,000	17,421	30,000	17,421
2025	-	-	31,000	16,053	31,000	16,053
2026	-	-	33,000	14,503	33,000	14,503
2027	-	-	35,000	12,861	35,000	12,861
2028	-	-	36,000	11,196	36,000	11,196
2029	-	-	38,000	9,780	38,000	9,780
2030	-	-	39,000	8,569	39,000	8,569
2031	-	-	40,000	7,278	40,000	7,278
2032	-	-	42,000	5,858	42,000	5,858
2033	-	-	43,000	4,304	43,000	4,304
2034	-	-	45,000	2,639	45,000	2,639
2035	-	-	42,228	891	42,228	891
Total	$ 103,689	$ 4,484	$ 753,225	$ 220,124	$ 856,914	$ 224,608

NOTE 9 — LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year	Business-type Activities					
Ending	General Obligation Bonds		Capital Lease		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 1,196,068	$ 360,330	$ 43,445	$ 3,097	$ 1,239,513	$ 363,427
2020	1,075,591	347,422	27,941	1,427	1,103,532	348,849
2021	1,085,468	337,893	15,688	317	1,101,156	338,210
2022	1,095,500	327,723	-	-	1,095,500	327,723
2023	1,056,424	316,808	-	-	1,056,424	316,808
2024	1,021,350	305,163	-	-	1,021,350	305,163
2025	1,031,876	293,164	-	-	1,031,876	293,164
2026	1,046,575	280,265	-	-	1,046,575	280,265
2027	1,061,453	266,817	-	-	1,061,453	266,817
2028	1,072,513	253,100	-	-	1,072,513	253,100
2029	1,087,761	240,187	-	-	1,087,761	240,187
2030	1,099,201	227,904	-	-	1,099,201	227,904
2031	1,110,839	215,098	-	-	1,110,839	215,098
2032	1,126,680	201,577	-	-	1,126,680	201,577
2033	1,138,730	187,313	-	-	1,138,730	187,313
2034	1,154,993	172,392	-	-	1,154,993	172,392
2035	1,171,476	156,920	-	-	1,171,476	156,920
2036	992,184	144,644	-	-	992,184	144,644
2037	1,001,123	135,705	-	-	1,001,123	135,705
2038	1,010,300	126,528	-	-	1,010,300	126,528
2039	1,019,721	117,107	-	-	1,019,721	117,107
2040	1,029,392	107,436	-	-	1,029,392	107,436
2041	1,039,320	97,508	-	-	1,039,320	97,508
2042	713,423	87,316	-	-	713,423	87,316
2043	404,262	76,854	-	-	404,262	76,854
2044	415,003	66,113	-	-	415,003	66,113
2045	426,029	55,087	-	-	426,029	55,087
2046	437,348	43,768	-	-	437,348	43,768
2047	448,967	32,149	-	-	448,967	32,149
2048	460,895	20,221	-	-	460,895	20,221
2049	473,140	7,976	-	-	473,140	7,976
2050	46,573	135	-	-	46,573	135
Total	$ 28,550,178	$ 5,608,621	$ 87,074	$ 4,841	$ 28,637,252	$ 5,613,462

NOTE 10 — PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by 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	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**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.	**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.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About Hybrid Retirement Plan (Cont.)
• 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.</td></tr>
<tr><td>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.</td><td>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.</td><td>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.</td></tr>
</table>

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) 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.	**Hybrid Opt-In Election (Cont.)** 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.	***Non-Eligible Members (Cont.)** 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.
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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**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.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** 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. **<u>Defined Contribution Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Vesting** Same as Plan 1.	**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 Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contribution Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) 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.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**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 **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.	**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.	**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.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**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 **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 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 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 **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **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 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.	**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.	**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.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 10 — PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</td><td>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.</td><td>Disability Coverage
Employees of political subdivisions (including Plan 1 and Plan2 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.</td></tr>
<tr><td>Purchase of Prior Service
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</td><td>Purchase of Prior Service
Same as Plan 1.</td><td>Purchase of Prior Service
<u>Defined Benefit Component:</u>
Same as Plan 1, with the following exceptions:
• Hybrid Retirement Plan members are ineligible for ported service.

<u>Defined Contribution Component:</u>
Not applicable.</td></tr>
</table>

Pension Plan Data

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

NOTE 10 — PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	36
Inactive members:	
Vested inactive members	8
Non-vested inactive members	10
Inactive members active elsewhere in VRS	43
Total inactive members	61
Active members	57
Total covered employees	154

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 6.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were $185,413 and $187,962 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

NOTE 10 — PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 10 — PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

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

NOTE 10 — PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

NOTE 10 — PENSION PLAN: (CONTINUED)

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

NOTE 10 — PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balances at June 30, 2016	$ 9,568,814	$ 9,089,137	$ 479,677
Changes for the year:			
Service cost	$ 315,556	$ -	$ 315,556
Interest	655,845	-	655,845
Differences between expected and actual experience	314,951	-	314,951
Assumption changes	(193,159)	-	(193,159)
Contributions - employer	-	187,961	(187,961)
Contributions - employee	-	138,404	(138,404)
Net investment income	-	1,108,684	(1,108,684)
Benefit payments, including refunds	(399,205)	(399,205)	-
Administrative expenses	-	(6,345)	6,345
Other changes	-	(989)	989
Net changes	$ 693,988	$ 1,028,510	$ (334,522)
Balances at June 30, 2017	$ 10,262,802	$ 10,117,647	$ 145,155

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town			
Net Pension Liability (Asset)	$ 1,737,859	$ 145,155	$ (1,148,903)

NOTE 10 — PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the Town recognized pension expense of $218,062 at June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 283,710	$ 20,662
Change in assumptions	-	136,514
Net difference between projected and actual earnings on pension plan investments	-	151,129
Employer contributions subsequent to the measurement date	185,413	-
Total	$ 469,123	$ 308,305

$185,413 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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	Primary Government
2019	$ (6,077)
2020	64,664
2021	11,868
2022	(95,050)
2023	-
Thereafter	-

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

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 is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic 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

Eligible Employees

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

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

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

Benefit Amounts

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

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

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $14,615 and $14,615 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 entity reported a liability of $229,000 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 0.01524% as compared to 0.01495% 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.

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	9,000
Change in assumptions	-	12,000
Changes in proportion	4,000	-
Employer contributions subsequent to the measurement date	14,615	-
Total	$ 18,615	$ 26,000

$14,615 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (4,000)
2020	(4,000)
2021	(4,000)
2022	(4,000)
2023	(3,000)
Thereafter	(3,000)

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 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%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates – General State Employees

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

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

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

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

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

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

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

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

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

Mortality Rates – SPORS Employees

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

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

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

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees (continued)

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

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

Mortality Rates – VaLORS Employees

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

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

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

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

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – JRS Employees

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

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

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

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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees (continued)

The actuarial assumptions used in the June 30, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

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

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

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

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

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

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

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

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

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (continued)

The actuarial assumptions used in the June 30, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

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

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
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.

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year 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.

NOTE 11 — GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 297,000	$ 229,000	$ 175,000

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.

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) 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 is an agent multiple-employer plan 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.

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Plan Description

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 PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating employers are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • **Disability Retirement**- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	8
Active members	57
Total covered employees	65

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Town contractually required employer contribution rate for the year ended June 30, 2018 was .13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the Health Insurance Credit Program were $3,653 and $3,653 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB Liability

The Town 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.

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

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%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

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

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

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

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (continued)

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

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

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

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

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

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

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total 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.

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 79,793	$ 61,591	$ 18,202
Changes for the year:			
Service cost	$ 2,935	$ -	$ 2,935
Interest	5,519	-	5,519
Benefit changes	-	-	-
Differences between expected			-
and actual experience	-	-	-
Assumption changes	(3,682)	-	(3,682)
Contributions - employer	-	3,655	(3,655)
Net investment income	-	7,262	(7,262)
Benefit payments	(1,909)	(1,909)	-
Administrative expenses	-	(121)	121
Other changes	-	360	(360)
Net changes	$ 2,863	$ 9,247	$ (6,384)
Balances at June 30, 2017	$ 82,656	$ 70,838	$ 11,818

Sensitivity of the Town's Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net HIC OPEB Liability	$ 21,777	$ 11,818	$ 3,445

NOTE 12 — HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

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

For the year ended June 30, 2018, the Town recognized Health Insurance Credit Program OPEB expense of $2,802. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	$ -	$ 2,306
Change in assumptions	-	3,225
Employer contributions subsequent to the measurement date	3,653	-
Total	$ 3,653	$ 5,531

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB: (Continued)

$3,653 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	$	(1,033)
2020		(1,033)
2021		(1,033)
2022		(1,035)
2023		(457)
Thereafter		(940)

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.

NOTE 13 — POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP):

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
Benefit Amounts The Political Subdivision Employee Virginia Local Disability Program (VLDP) provides the following benefits for eligible employees: **Short-Term Disability** – • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

NOTE 13 — POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Plan Description: (Continued)

Benefit Amounts: (Continued)

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VRS Political Subdivision Employee VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the VRS Political Subdivision Employee VDLP were $2,788 and $2,307 for the years ended June 30, 2018 and June 30, 2017, respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2018, the Town reported a liability of $1,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net VLDP OPEB Liability was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan 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 Town's proportion of the VLDP was .20940% as compared to .17599% at June 30, 2016.

NOTE 13 — POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (Continued)

For the year ended June 30, 2018, the Town recognized VLDP OPEB expense of $2,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 2,788	$ -
Total	$ 2,788	$ -

$2,788 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2019.

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NOTE 13 — POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP 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%
Salary increases, including inflation:	
Political Subdivision Employees	3.5%-5.35%
Investment rate of return	7.0%, net of plan investment expenses, including inflation*

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

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

NOTE 13 — POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

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

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee VLDP 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 VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$	914
Plan Fiduciary Net Position		351
Political Subdivision net VLDP OPEB Liability (Asset)	$	563
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		38.40%

NOTE 13 — POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Net VLDP OPEB Liability (Continued)

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP 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 VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total VLDP OPEB 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 actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Town for the VLDP 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

NOTE 13 — POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP): (CONTINUED)

Sensitivity of the Town's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Net VLDP OPEB Liability	$ 1,000	$ 1,000	$ 1,000

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability 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.

NOTE 14 — SURETY BONDS:

	Amount
VML Insurance - Surety Public Employees Blanket Bond	$ 550,000

NOTE 15 — 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; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers' compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

The Town is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Municipal Group contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 16 — CONTINGENCIES:

The Town is obligated to the Shenandoah County School Board under an agreement dated September 4, 1973, whereby the Town has agreed to pay to the School Board $200 for each water and sewer connection made to the primary school water and sewer lines until such time as seventy-percent of their investment is realized. The agreement does not state the method of determining the School Board's investment nor the duration of the agreement.

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

Under an agreement dated August 27, 1996 the Town is obligated to reimburse a developer for availability fees collected for connections to a sewer line paid for by the developer. The reimbursement shall not, in the aggregate, exceed $250,000.

NOTE 17 — DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:

Deferred and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred, unavailable, and unearned revenue in the government-wide financial statements and fund financial statements totaling $853,198, $1,039,089, and $183,379, respectively, is comprised of the following:

A. Prepaid Property Taxes -Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled $93,513 at June 30, 2018.

B. Unbilled Property Taxes – Property taxes for the second half of 2018 that had not been billed as of June 30, 2018 amounted to $759,685.

C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled $185,891.

D. Unearned Revenue – VDOT carryover – unearned revenue representing VDOT highway maintenance funds not available to fund current expenditures totaled $183,379.

NOTE 18 — COMMITMENTS:

The Town had the following material contracts outstanding at June 30, 2018:

Project	Original Contract Amount	Amount Spent to Date	Amount of Contract Remaining at Year End
Town pavillion and park	$ 797,542	$ 346,261	$ 451,281
Total	$ 797,542	$ 346,261	$ 451,281

NOTE 19 — LITIGATION:

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

NOTE 20 — UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTE 20 — UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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REQUIRED SUPPLEMENTARY INFORMATION

Town of Strasburg, Virginia **Exhibit 10**
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 1,694,380	$ 1,694,380	$ 1,845,728	$ 151,348
Other local taxes	1,582,950	1,582,950	2,106,870	523,920
Permits, privilege fees and regulatory licenses	15,000	15,000	34,991	19,991
Fines and forfeitures	35,000	35,000	30,713	(4,287)
Revenue from the use of money and property	78,300	78,300	108,020	29,720
Charges for services	92,510	92,510	43,483	(49,027)
Miscellaneous	20,100	20,100	124,811	104,711
Intergovernmental:				
Commonwealth	1,206,668	1,206,668	1,478,849	272,181
Federal	1,957,000	1,957,000	405,379	(1,551,621)
Total revenues	$ 6,681,908	$ 6,681,908	$ 6,178,844	$ (503,064)
EXPENDITURES				
Current:				
General government administration	$ 816,754	$ 816,754	$ 556,163	$ 260,591
Public safety	1,698,552	1,698,552	1,675,417	23,135
Public works	1,286,115	1,286,115	1,916,320	(630,205)
Health and welfare	-	-	10,569	(10,569)
Parks, recreation and cultural	156,447	156,447	148,837	7,610
Community development	201,736	201,736	136,152	65,584
Capital outlay:				
Administrative	1,970,000	2,030,000	686,344	1,343,656
Public safety	30,000	30,000	58,251	(28,251)
Public Works	54,400	54,400	1,396	53,004
Parks, recreation and cultural	10,000	10,000	7,166	2,834
Community development	1,200,000	1,200,000	-	1,200,000
Debt service:				
Principal	236,368	236,368	236,368	-
Interest	35,936	35,936	38,226	(2,290)
Total expenditures	$ 7,696,308	$ 7,756,308	$ 5,471,209	$ 2,285,099
Excess (deficiency) of revenues over (under) expenditures	$ (1,014,400)	$ (1,074,400)	$ 707,635	$ 1,782,035
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ -	$ (40,647)	$ (40,647)
Issuance of capital leases	84,400	84,400	58,251	(26,149)
Total other financing sources (uses)	$ 84,400	$ 84,400	$ 17,604	$ (66,796)
Net change in fund balances	$ (930,000)	$ (990,000)	$ 725,239	$ 1,715,239
Fund balances - beginning	930,000	990,000	2,415,871	1,425,871
Fund balances - ending	$ -	$ -	$ 3,141,110	$ 3,141,110

Schedule of Changes in Net Pension Liability and Related Ratios
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 315,556	$ 290,071	$ 309,266	$ 286,988
Interest	655,845	618,895	558,470	521,309
Changes of assumptions	(193,159)	-	-	-
Differences between expected and actual experience	314,951	(44,972)	296,203	-
Benefit payments, including refunds of employee contributions	(399,205)	(273,073)	(328,372)	(226,479)
Net change in total pension liability	$ 693,988	$ 590,921	$ 835,567	$ 581,818
Total pension liability - beginning	9,568,814	8,977,893	8,142,326	7,560,508
Total pension liability - ending (a)	$ 10,262,802	$ 9,568,814	$ 8,977,893	$ 8,142,326
Plan fiduciary net position				
Contributions - employer	$ 187,961	$ 208,363	$ 201,363	$ 243,570
Contributions - employee	138,404	154,447	127,682	146,184
Net investment income	1,108,684	160,669	390,762	1,147,301
Benefit payments, including refunds of employee contributions	(399,205)	(273,073)	(328,372)	(226,479)
Administrative expense	(6,345)	(5,402)	(5,273)	(5,980)
Other	(989)	(67)	(83)	60
Net change in plan fiduciary net position	$ 1,028,510	$ 244,937	$ 386,079	$ 1,304,656
Plan fiduciary net position - beginning	9,089,137	8,844,200	8,458,121	7,153,465
Plan fiduciary net position - ending (b)	$ 10,117,647	$ 9,089,137	$ 8,844,200	$ 8,458,121
Town's net pension liability - ending (a) - (b)	$ 145,155	$ 479,677	$ 133,693	$ (315,795)
Plan fiduciary net position as a percentage of the total pension liability	98.59%	94.99%	98.51%	103.88%
Covered payroll	$ 2,810,614	$ 2,686,938	$ 2,573,711	$ 2,637,833
Town's net pension liability as a percentage of covered payroll	5.16%	17.85%	5.19%	-11.97%

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

Schedule of Employer Contributions - Pension Plan
Years Ended June 30, 2009 through June 30, 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	$ 185,413	$ 185,413	$ -	$ 2,809,635	6.599%
2017	187,962	187,962	-	2,810,614	6.688%
2016	208,363	208,363	-	2,686,938	7.755%
2015	201,363	201,363	-	2,573,711	7.824%
2014	243,570	243,570	-	2,637,833	9.234%
2013	225,728	225,728	-	2,440,299	9.250%
2012	167,000	167,000	-	2,511,276	6.650%
2011	167,097	167,097	-	2,512,735	6.650%
2010	187,579	187,579	-	2,573,099	7.290%
2009	185,842	185,842	-	2,549,271	7.290%

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

TOWN OF STRASBURG, VIRGINIA **Exhibit 14**

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.01524%	$ 229,000	$ 2,810,614	8.15%	48.86%

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

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 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	$ 14,615	$ 14,615	$ -	$ 2,809,635	0.52%
2017	14,615	14,615	-	2,810,614	0.52%
2016	12,897	12,897	-	2,686,938	0.48%
2015	12,354	12,354	-	2,573,711	0.48%
2014	12,662	12,662	-	2,637,833	0.48%
2013	11,713	11,713	-	2,440,299	0.48%
2012	7,032	7,032	-	2,509,449	0.28%
2011	7,036	7,036	-	2,513,113	0.28%
2010	5,024	5,024	-	2,572,996	0.20%
2009	6,883	6,883	-	2,549,271	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

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

VaLORS Employees

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

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Changes in the Town's Net OPEB Liability and Related Ratios
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

		2017
Total HIC OPEB Liability		
Service cost	$	2,935
Interest		5,519
Changes in assumptions		(3,682)
Benefit payments		(1,909)
Net change in total HIC OPEB liability	$	2,863
Total HIC OPEB Liability - beginning		79,793
Total HIC OPEB Liability - ending (a)	$	82,656
Plan fiduciary net position		
Contributions - employer	$	3,655
Net investment income		7,262
Benefit payments		(1,909)
Administrative expense		(121)
Other		360
Net change in plan fiduciary net position	$	9,247
Plan fiduciary net position - beginning		61,591
Plan fiduciary net position - ending (b)	$	70,838
Town's net HIC OPEB liability - ending (a) - (b)	$	11,818
Plan fiduciary net position as a percentage of the total HIC OPEB liability		85.70%
Covered payroll	$	2,810,614
Town's net HIC OPEB liability as a percentage of covered payroll		0.42%

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

Schedule of Employer Contributions
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 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	$ 3,653	$ 3,653	$ -	$ 2,809,635	0.13%
2017	3,653	3,653	-	2,810,614	0.13%
2016	3,224	3,224	-	2,686,938	0.12%
2015	3,088	3,088	-	2,573,711	0.12%
2014	4,484	4,484	-	2,637,833	0.17%
2013	4,149	4,149	-	2,440,299	0.17%
2012	4,266	4,266	-	2,509,449	0.17%
2011	4,272	4,272	-	2,513,113	0.17%
2010	6,175	6,175	-	2,572,996	0.24%
2009	6,118	6,118	-	2,549,271	0.24%

Notes to Required Supplementary Information
Health Insurance Credit Program (HIC)
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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Town's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2017	0.2094%	$ 1,000	$ 384,513	0.26%	38.40%

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

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2015 through June 30, 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	$	2,788	$	2,788	$	-	$	464,636	0.60%
2017		2,307		2,307		-		384,513	0.60%
2016		1,304		1,304		-		217,359	0.60%
2015		718		718		-		119,629	0.60%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
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 and Non-Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year 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 and Non-Hazardous Duty Employees

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

STATISTICAL TABLES

Town of Strasburg, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year		General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Health and Welfare	Community Development
2018		$ 823,092	$ 1,722,076	$ 2,136,644	$ 166,666	$ 10,569	$ 139,839
2017		842,138	1,742,668	1,015,530	244,311	10,236	85,929
2016		732,892	1,734,851	1,538,358	148,674	10,109	39,561
2015		627,706	1,829,034	848,525	209,150	10,265	54,697
2014		473,961	1,870,902	1,181,572	211,906	9,661	52,258
2013		532,547	1,773,475	1,247,980	177,249	9,399	55,221
2012	(1)	505,436	1,723,170	1,210,481	179,400	9,272	40,116
2011		662,672	1,623,621	1,148,847	43,115	7,305	27,500
2010		684,734	1,670,107	1,409,366	33,150	6,971	35,085
2009		558,230	1,668,255	1,276,394	37,984	-	16,352

(1) The recreation fund was closed in fiscal year 2012 and activity is now reported in the general fund

Table 1

Interest on Long-term Debt		Water		Sewer		Trash		Recreation		Total
$	27,573	$	2,390,787	$	2,525,810	$	313,627	$	-	$	10,256,683
	33,567		2,402,888		1,847,774		311,124		-		8,536,165
	39,749		2,123,742		1,639,280		296,281		-		8,303,497
	68,012		2,223,318		1,673,529		278,159		-		7,822,395
	43,664		1,931,953		1,692,520		314,263		-		7,782,660
	38,526		1,725,249		1,554,539		301,194		-		7,415,379
	45,836		1,437,482		1,547,325		295,362		-		6,993,880
	52,218		1,897,287		1,406,216		301,737		146,956		7,317,474
	64,539		1,570,493		1,557,148		321,645		162,475		7,515,713
	72,991		1,538,738		1,508,449		237,830		154,290		7,069,513

Town of Strasburg, Virginia
Government-wide Revenues
Last Ten Fiscal Years

	PROGRAM REVENUES		
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2018	$ 4,952,495	$ 1,325,870	$ 994,232
2017	4,929,871	273,070	1,288,623
2016	4,869,432	952,299	2,226,086
2015	5,190,403	567,380	3,665,919
2014	5,455,727	774,244	2,187,659
2013	5,374,095	99,792	1,132,892
2012	4,716,323	99,792	1,550,467
2011	3,972,733	103,424	1,035,935
2010	3,572,264	104,652	806,897
2009	3,183,282	114,186	1,034,438

Table 2

GENERAL REVENUES					
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Mis-cellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
$ 1,774,648	$ 2,106,870	$ 153,966	$ 17,210	$ 159,829	$ 11,485,120
1,749,159	1,969,925	126,179	77,052	161,691	10,575,570
1,728,462	1,719,391	128,186	74,833	146,609	11,845,298
1,653,993	1,749,032	83,140	84,232	140,921	13,135,020
1,551,809	1,665,262	102,129	106,304	105,884	11,949,018
1,408,679	1,610,098	98,784	85,022	153,531	9,962,893
1,401,461	1,523,533	113,843	97,066	206,826	9,709,311
1,494,641	1,496,970	114,722	80,493	218,961	8,517,879
1,425,274	1,445,993	118,392	237,937	174,125	7,885,534
1,340,095	1,519,691	129,314	64,409	182,912	7,568,327

Town of Strasburg, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year		General Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Health and Welfare	Community Development
2018		$ 1,242,507	$ 1,733,668	$ 1,917,716	$ 156,003	$ 10,569	$ 136,152
2017		848,965	1,743,359	1,710,927	239,015	10,236	190,975
2016		728,050	1,774,751	1,422,318	160,597	10,109	39,561
2015		1,187,260	1,831,707	1,233,692	189,781	10,265	54,697
2014		1,723,984	1,904,039	1,102,228	187,219	9,661	52,258
2013	(2)	606,615	1,761,297	1,577,705	160,335	9,399	55,221
2012		512,375	1,705,800	1,058,820	174,114	9,272	40,116
2011		735,357	1,678,911	982,633	43,115	7,305	27,500
2010		652,316	1,637,784	1,238,459	33,150	6,971	35,085
2009		691,506	1,634,834	1,078,850	37,984	-	16,352

(1) Includes General Fund
(2) The recreation fund was closed in fiscal year 2012 and activity is now reported in the general fund

Table 3

Debt Service	Total
$ 274,594	$ 5,471,209
280,819	5,024,296
268,881	4,404,267
262,997	4,770,399
236,181	5,215,570
265,796	4,436,368
282,187	3,782,684
288,894	3,763,715
368,196	3,971,961
390,146	3,849,672

Town of Strasburg, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Misc-ellaneous
2018	$ 1,845,728	$ 2,106,870	$ 34,991	$ 30,713	$ 108,020	$ 124,811
2017	1,719,391	1,969,925	18,469	22,520	80,640	55,647
2016	1,609,642	1,719,391	10,727	29,307	70,882	58,341
2015	1,660,060	1,749,032	8,504	41,521	59,172	70,403
2014	1,539,495	1,665,262	16,316	28,982	65,900	57,458
2013	1,416,634	1,614,343	9,065	34,780	67,610	83,481
2012	1,428,349	1,525,357	11,351	28,967	72,216	57,580
2011	1,509,841	1,501,187	13,715	32,715	71,389	85,346
2010	1,415,092	1,450,138	11,546	39,905	73,415	123,349
2009	1,456,136	1,515,840	12,155	44,711	57,375	56,319

(1) Includes General Fund

Table 4

	Charges for Services		Inter-governmental		Total
$	43,483	$	1,884,228	$	6,178,844
	55,907		604,253		4,526,752
	43,849		1,116,272		4,658,411
	53,954		1,550,067		5,192,713
	57,706		1,845,654		5,276,773
	57,886		958,762		4,242,561
	70,523		826,612		4,020,955
	-		819,603		4,033,238
	-		831,529		3,944,974
	-		772,022		3,914,558

Town of Strasburg, Virginia **Table 5**
Property Tax Levies and Collections
Last Ten Fiscal Years

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy (1,2,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Collections in Subsequent Years (1) (2)	Total Tax Collections	Percentage of Collections to Tax Levy (4)
2018	$ 1,739,692	$ 1,647,491	94.70%	$ -	$ 1,647,491	94.70%
2017	1,715,312	1,625,964	94.79%	49,904	1,675,868	97.70%
2016	1,630,544	1,546,964	94.87%	55,843	1,602,807	98.30%
2015	1,612,273	1,567,292	97.21%	19,929	1,567,292	97.21%
2014	1,615,808	1,571,938	97.28%	24,548	1,596,486	98.80%
2013	1,510,934	1,480,446	97.98%	17,239	1,497,685	99.12%
2012	1,539,343	1,455,015	94.52%	82,856	1,537,871	99.90%
2011	1,597,836	1,517,593	94.98%	78,850	1,596,443	99.91%
2010	1,520,815	1,433,595	94.26%	86,321	1,519,916	99.94%
2009	1,570,074	1,492,353	95.05%	77,013	1,569,366	99.95%

(1) Exclusive of penalties
(2) Does not include land redemptions
(3) Includes Commonwealth of Virginia PPTRA Reimbursement
(4) Does not include supplements and abatements-only original tax levy

Town of Strasburg, Virginia **Table 6**

Assessed Value of Taxable Property

Last Ten Fiscal Years

(in thousands)

			Machinery	Public Service Corporation (1)			Assessed vs
Fiscal Year	Real Estate	Personal Property	and Tools	Real Estate	Personal Property	Total	Fair Market Value
2018	$ 602,606	$ 48,698	$ 40,632	$ 21,332	$ -	$ 713,268	100.00%
2017	601,362	46,781	46,977	21,332	-	716,452	100.00%
2016	600,385	47,253	33,332	21,786	-	702,756	100.00%
2015	606,784	43,443	30,369	21,544	-	702,140	100.00%
2014	604,013	43,492	32,588	21,201	-	701,294	100.00%
2013	555,327	40,461	17,530	20,076	-	633,394	100.00%
2012	552,866	40,134	21,105	22,843	-	636,948	100.00%
2011	550,613	39,038	28,703	22,845	-	641,199	100.00%
2010	547,258	38,159	23,230	18,028	-	626,675	100.00%
2009	548,653	40,501	25,724	14,725	-	629,603	100.00%

(1) Assessed values are established by the State Corporation Commission

Town of Strasburg, Virginia **Table 7**
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machninery & Tools
2018	$ 0.16	$ 1.11	$ 0.86
2017	0.16	1.11	0.86
2016	0.16	1.11	0.86
2015	0.16	1.11	0.86
2014	0.16	1.11	0.86
2013	0.16	1.11	0.86
2012	0.16	1.11	0.86
2011	0.16	1.11	0.86
2010	0.16	1.11	0.86
2009	0.16	1.11	0.86

(1) Rates are based on $100 per assessed value

Town of Strasburg, Virginia **Table 8**
Principal Taxpayers
At June 30, 2018

Taxpayer	Type of Business		2018 Assessed Valuation	% of Total Assessed Valuation
EIP 495 RADION STATION ROAD LLC	RENTAL PROPERTY/COMMERCIAL	$	20,428,900	25%
ART MORTGAGE BORROWER	REAL ESTATE		12,357,400	15%
294 FRONT ROYAL LLC	MANUFACTURING		9,258,400	11%
IAC STRASBURG LLC	MANUFACTURING		8,458,900	10%
HOMEWOOD OF THE SHEN. VALLEY	REAL ESTATE		6,458,700	8%
KING PLUMBING AND HEATING	REAL ESTATE/RENTAL PROPERTY		5,865,200	7%
SHENANDOAH VALLEY ELECTRIC COOP.	PUBLIC SERVICE TAX		5,383,814	6%
WALTER ENTERPRISES LLC	RENTAL PROPERTY/COMMERCIAL		5,208,900	6%
MASSANUTTEN ELDERLY LLC	RENTAL PROPERTY/REAL ESTATE		4,877,100	6%
STRASBURG HOTEL GROUP LLC	HOTEL		4,849,800	6%
	Total	$	83,147,114	

Town of Strasburg, Virginia **Table 9**
Computation of Legal Debt Margin
For the Fiscal Year Ended June 30, 2018
(in thousands)

Total assessed value of taxed real property			$	602,606
Debt limit-10 percent of assessed value			$	60,261
Amount of debt applicable to limit				
Gross debt	$	29,529		
Less: Water and sewer revenue bonds		(28,727)		
			$	802
Legal debt margin			$	59,459

COMPLIANCE

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

To the Honorable Members of the Town Council
Town of Strasburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, 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 Strasburg, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2018

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

To the Honorable Members of the Town Council
Town of Strasburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Strasburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Strasburg, Virginia's major federal programs for the year ended June 30, 2018. Town of Strasburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Strasburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Strasburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Strasburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Town of Strasburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Strasburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Strasburg, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2018

Town of Strasburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Granting Agency/ Pass-through Agency/Program	Federal Catalog Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Environmental Protection Agency			
Pass-through Payments:			
Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	Not available	$ 1,481,611
Department of Justice			
Direct Payments			
Asset Forfeiture Proceeds	16.000	n/a	1,721
Department of Housing and Urban Development			
Pass-through Payments:			
State Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	Not available	398,529
Department of Transportation			
Pass-through Payments:			
State Department of Transportation:			
State and Community Highway Safety	20.600	SC-2016-56231-6431	5,129
Total Expenditures of Federal Awards			$ 1,886,990

TOWN OF STRASBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the activity of all federal award programs for the Town as of June 30, 2018. The Town's reporting entity is defined in note 1(A) of the Town's notes to financial statements.

Federal award programs include direct expenditures, monies passed through to other governmental entities, and nonmonetary assistance.

B. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Strasburg, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Strasburg, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Strasburg, Virginia.

C. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Strasburg, Virginia did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

No awards were passed through to subrecipients.

Pass-through entity identifying numbers are presented where available.

D. Matching Costs:

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

E. Loans:

Federal expenditures reported on this schedule include loans of $1,171,631.

II. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

Primary government:	
Governmental funds	$ 405,379
Proprietary funds	309,980
Reconciling items:	
VRA loan proceeds	1,171,631
Total primary government	$ 1,886,990

Town of Strasburg, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	___ yes _x_ no
- Significant deficiency(ies) identified?	___ yes _x_ none reported
Noncompliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal control over major programs:	
- Material weakness(es) identified?	___ yes _x_ no
- Significant deficiency(ies) identified?	___ yes _x_ none reported
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___ yes _x_ no

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
66.458	……………………… Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	_x_ yes ___ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary of Prior Year Findings

There were no prior year findings.