

TOWN OF BOWLING GREEN, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TOWN OF BOWLING GREEN, VIRGINIA

PRINCIPAL OFFICIALS

TOWN COUNCIL AND EXECUTIVE OFFICERS

Mayor

Jason Satterwhite

Vice-Mayor

Mark Gaines

COUNCIL MEMBERS

Jean Davis

Tammie Gaines

Deborah Howard

Glenn McDearmon

Otis Wright

Valarie Cayle

Town Manager

Reese Peck

Town Treasurer/Clerk

Melissa Lewis

TOWN OF BOWLING GREEN, VIRGINIA
Financial Report
For the Year Ended June 30, 2018

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
<i><u>Basic Financial Statements</u></i>	
<i><u>Government-wide Financial Statements</u></i>	
Exhibit 1 Statement of Net Position	4
Exhibit 2 Statement of Activities	5-6
<i><u>Fund Financial Statements</u></i>	
Exhibit 3 Balance Sheet—Governmental Funds	7
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	9
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Funds	10
Exhibit 7 Statement of Net Position—Proprietary Funds	11
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	12
Exhibit 9 Statement of Cash Flows—Proprietary Funds	13
Notes to Financial Statements	14-63
<i><u>Required Supplementary Information</u></i>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—General Fund	64
Exhibit 11 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	65

TOWN OF BOWLING GREEN, VIRGINIA
Financial Report
For the Year Ended June 30, 2018

Table of Contents (Continued)

	<u>Page</u>	
Exhibit 12	Schedule of Employer Contributions - Pension	66
Exhibit 13	Notes to Required Supplementary Information - Pension	67
Exhibit 14	Schedule of Town's Share of Net OPEB Liability - Group Life Insurance Program	68
Exhibit 15	Schedule of Employer Contributions - Group Life Insurance Program	69
Exhibit 16	Notes to Required Supplementary Information - Group Life Insurance Program	70-71

Other Supplementary Information:

Supporting Schedules

Schedule 1	Schedule of Revenues - Budget and Actual—Governmental Funds	72-74
Schedule 2	Schedule of Expenditures - Budget and Actual—Governmental Funds	75-77

Compliance

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



Independent Auditors' Report

To the Honorable Members of Town Council
Town of Bowling Green
Bowling Green, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Bowling Green, 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, the discretely presented component unit and each major fund of the Town of Bowling Green, 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 Principle

As described in Note 1 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* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 14 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75 and to correct prior period misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules related to pension and OPEB funding located on pages 64 and 65-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2020, on our consideration of Town of Bowling Green, 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 Bowling Green, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bowling Green, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
April 28, 2020

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority Total
ASSETS				
Cash and cash equivalents	\$ 567,906	\$ 112,148	\$ 680,054	\$ 52,871
Receivables (net of allowance for uncollectibles):				
Taxes receivable	254,474	-	254,474	-
Accounts receivable	47,715	145,842	193,557	-
Due from other governmental units	14,520	-	14,520	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	39,197	76,530	115,727	-
Buildings and improvements	259,457	50,047	309,504	-
Equipment	53,542	35,752	89,294	-
Infrastructure	46,875	-	46,875	-
Vehicles	79,789	-	79,789	-
Utility plant in service	-	6,052,455	6,052,455	-
Construction in progress	-	197,572	197,572	-
Total assets	\$ 1,363,475	\$ 6,670,346	\$ 8,033,821	\$ 52,871
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ -	\$ 57,888	\$ 57,888	\$ -
Pension related items	34,219	83,794	118,013	-
OPEB related items	2,733	2,062	4,795	-
Total deferred outflows of resources	\$ 36,952	\$ 143,744	\$ 180,696	\$ -
LIABILITIES				
Accounts payable	\$ 31,226	\$ 22,282	\$ 53,508	\$ -
Accrued liabilities	2,302	14,800	17,102	-
Customers' deposits	-	41,282	41,282	-
Accrued interest payable	-	71,959	71,959	-
Long-term liabilities:				
Due within one year	10,650	3,993,886	4,004,536	-
Due in more than one year	213,398	164,558	377,956	-
Total liabilities	\$ 257,576	\$ 4,308,767	\$ 4,566,343	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 232,339	\$ -	\$ 232,339	\$ -
Deferred revenue - sanitation and waste removal	6,813	-	6,813	-
Pension related items	7,232	78,392	85,624	-
OPEB related items	1,710	1,290	3,000	-
Total deferred inflows of resources	\$ 248,094	\$ 79,682	\$ 327,776	\$ -
NET POSITION				
Net investment in capital assets	\$ 478,860	\$ 2,482,884	\$ 2,961,744	\$ -
Restricted:				
Donations	10,940	-	10,940	-
Unrestricted	404,957	(57,243)	347,714	52,871
Total net position	\$ 894,757	\$ 2,425,641	\$ 3,320,398	\$ 52,871

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

TOWN OF BOWLING GREEN, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 390,196	\$ -	\$ -	\$ -
Public safety	110,044	18,787	33,644	25,000
Public works	271,326	85,375	916	-
Parks, recreation, and cultural	39,247	-	-	-
Community development	46,933	2,930	-	-
Total governmental activities	<u>\$ 857,746</u>	<u>\$ 107,092</u>	<u>\$ 34,560</u>	<u>\$ 25,000</u>
Business-type activities:				
Water	\$ 441,268	\$ 327,777	\$ -	\$ -
Sewer	848,624	390,955	-	(2,118)
Total business-type activities	<u>\$ 1,289,892</u>	<u>\$ 718,732</u>	<u>\$ -</u>	<u>\$ (2,118)</u>
Total primary government	<u>\$ 2,147,638</u>	<u>\$ 825,824</u>	<u>\$ 34,560</u>	<u>\$ 22,882</u>
COMPONENT UNITS:				
Economic Development Authority	\$ -	\$ -	\$ -	\$ -
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Lodging tax				
Business licenses				
Restaurant food taxes				
Bank stock tax				
Consumer utility tax				
Motor vehicle license taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Commonwealth of Virginia non-categorical aid				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (390,196)	\$ -	\$ (390,196)	\$ -
(32,613)	-	(32,613)	-
(185,035)	-	(185,035)	-
(39,247)	-	(39,247)	-
(44,003)	-	(44,003)	-
<u>\$ (691,094)</u>	<u>\$ -</u>	<u>\$ (691,094)</u>	<u>\$ -</u>
\$ -	\$ (113,491)	\$ (113,491)	\$ -
-	(459,787)	(459,787)	-
<u>\$ -</u>	<u>\$ (573,278)</u>	<u>\$ (573,278)</u>	<u>\$ -</u>
<u>\$ (691,094)</u>	<u>\$ (573,278)</u>	<u>\$ (1,264,372)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 216,150	\$ -	\$ 216,150	\$ -
27,493	-	27,493	-
3,947	-	3,947	-
85,462	-	85,462	-
192,130	-	192,130	-
149,046	-	149,046	-
25,545	-	25,545	-
17,874	-	17,874	-
30,317	-	30,317	-
54,600	-	54,600	-
59,203	-	59,203	-
(307,050)	307,050	-	-
<u>\$ 554,717</u>	<u>\$ 307,050</u>	<u>\$ 861,767</u>	<u>\$ -</u>
\$ (136,377)	\$ (266,228)	\$ (402,605)	\$ -
1,031,134	2,691,869	3,723,003	52,871
<u>\$ 894,757</u>	<u>\$ 2,425,641</u>	<u>\$ 3,320,398</u>	<u>\$ 52,871</u>

Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2018

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 516,293	\$ 51,613	\$ 567,906
Receivables (net of allowance for uncollectibles):			
Taxes receivable	254,474	-	254,474
Accounts receivable	47,715	-	47,715
Due from other governmental units	14,520	-	14,520
Total assets	<u>\$ 833,002</u>	<u>\$ 51,613</u>	<u>\$ 884,615</u>
LIABILITIES			
Accounts payable	\$ 25,896	\$ 5,330	\$ 31,226
Accrued liabilities	2,302	-	2,302
Total liabilities	<u>\$ 28,198</u>	<u>\$ 5,330</u>	<u>\$ 33,528</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 252,544	\$ -	\$ 252,544
Unavailable revenue - sanitation and waste removal	6,813	-	6,813
Total deferred inflows of resources	<u>\$ 259,357</u>	<u>\$ -</u>	<u>\$ 259,357</u>
FUND BALANCES			
Restricted:			
Donations	\$ 10,940	\$ -	\$ 10,940
Capital projects	-	15,155	15,155
Committed:			
Capital projects	-	31,128	31,128
Unassigned	534,507	-	534,507
Total fund balances	<u>\$ 545,447</u>	<u>\$ 46,283</u>	<u>\$ 591,730</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 833,002</u>	<u>\$ 51,613</u>	<u>\$ 884,615</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	591,730	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			478,860
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. This item is comprised of:			
Unavailable revenue - property taxes			20,205
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	34,219	
OPEB related items		<u>2,733</u>	36,952
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This item is comprised of:			
Compensated absences	\$	(11,330)	
Net Pension liability		(200,160)	
Net OPEB liabilities		<u>(12,558)</u>	(224,048)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(7,232)	
OPEB related items		<u>(1,710)</u>	(8,942)
Net position of governmental activities			\$ <u><u>894,757</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018

	General	Capital Projects	Total
REVENUES			
General property taxes	\$ 216,065	\$ -	\$ 216,065
Other local taxes	501,497	-	501,497
Permits, privilege fees, and regulatory licenses	2,930	-	2,930
Fines and forfeitures	18,787	-	18,787
Revenue from the use of money and property	30,100	217	30,317
Charges for services	85,375	-	85,375
Miscellaneous	54,600	-	54,600
Intergovernmental:			
Commonwealth	93,763	-	93,763
Federal	25,000	-	25,000
Total revenues	<u>\$ 1,028,117</u>	<u>\$ 217</u>	<u>\$ 1,028,334</u>
EXPENDITURES			
Current:			
General government administration	\$ 396,031	\$ -	\$ 396,031
Public safety	97,829	-	97,829
Public works	254,131	-	254,131
Parks, recreation, and cultural	39,247	-	39,247
Community development	46,933	-	46,933
Capital projects	-	206,079	206,079
Total expenditures	<u>\$ 834,171</u>	<u>\$ 206,079</u>	<u>\$ 1,040,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 193,946</u>	<u>\$ (205,862)</u>	<u>\$ (11,916)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 78,075	\$ 245,386	\$ 323,461
Transfers out	(521,448)	(109,063)	(630,511)
Total other financing sources (uses)	<u>\$ (443,373)</u>	<u>\$ 136,323</u>	<u>\$ (307,050)</u>
Net change in fund balances	\$ (249,427)	\$ (69,539)	\$ (318,966)
Fund balances - beginning, as restated	794,874	115,822	910,696
Fund balances - ending	<u>\$ 545,447</u>	<u>\$ 46,283</u>	<u>\$ 591,730</u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2018

		Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(318,966)
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 or vice versa in the current period.		
Capital outlay	\$	184,195
Depreciation expense		(42,284)
		141,911
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of:		
Property taxes		85
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment, changes in:		
Compensated absences	\$	(3,476)
Pension expense		43,313
OPEB expense		756
		40,593
Change in net position of governmental activities	\$	(136,377)

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 96,057	\$ 16,091	\$ 112,148
Accounts receivable, net of allowance for uncollectibles	92,434	53,408	145,842
Total current assets	\$ 188,491	\$ 69,499	\$ 257,990
Noncurrent assets:			
Capital assets:			
Land and land improvements	\$ 18,000	\$ 58,530	\$ 76,530
Building and improvements	-	98,610	98,610
Equipment	45,893	100,188	146,081
Vehicles	64,436	64,436	128,872
Utility plant in service	2,954,084	5,480,881	8,434,965
Construction in progress	-	197,572	197,572
Accumulated depreciation	(782,157)	(1,888,117)	(2,670,274)
Total capital assets	\$ 2,300,256	\$ 4,112,100	\$ 6,412,356
Total noncurrent assets	\$ 2,300,256	\$ 4,112,100	\$ 6,412,356
Total assets	\$ 2,488,747	\$ 4,181,599	\$ 6,670,346
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 22,576	\$ 35,312	\$ 57,888
Pension related items	5,729	78,065	83,794
OPEB related items	623	1,439	2,062
Total deferred outflows of resources	\$ 28,928	\$ 114,816	\$ 143,744
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 14,450	\$ 7,832	\$ 22,282
Accrued liabilities	9,899	4,901	14,800
Customers' deposits	41,282	-	41,282
Compensated absences	3,284	3,242	6,526
Bonds payable - current portion	1,552,439	2,434,921	3,987,360
Accrued interest payable	28,064	43,895	71,959
Total current liabilities	\$ 1,649,418	\$ 2,494,791	\$ 4,144,209
Noncurrent liabilities:			
Net pension liability	\$ 45,651	\$ 105,347	\$ 150,998
Net OPEB liability	2,860	6,582	9,442
Compensated absences	2,072	2,046	4,118
Total noncurrent liabilities	\$ 50,583	\$ 113,975	\$ 164,558
Total liabilities	\$ 1,700,001	\$ 2,608,766	\$ 4,308,767
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 70,825	\$ 7,567	\$ 78,392
OPEB related items	390	900	1,290
Total deferred outflows of resources	\$ 71,215	\$ 8,467	\$ 79,682
NET POSITION			
Net investment in capital assets	\$ 770,393	\$ 1,712,491	\$ 2,482,884
Unrestricted	(23,934)	(33,309)	(57,243)
Total net position	\$ 746,459	\$ 1,679,182	\$ 2,425,641

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water revenues	\$ 322,727	\$ -	\$ 322,727
Sewer revenues	-	388,705	388,705
Connection fees	5,050	2,250	7,300
Total operating revenues	<u>\$ 327,777</u>	<u>\$ 390,955</u>	<u>\$ 718,732</u>
Operating expenses:			
Personnel services	\$ 55,971	\$ 141,406	\$ 197,377
Fringe benefits	9,394	25,805	35,199
Contractual services	7,353	6,200	13,553
Depreciation	84,458	186,915	271,373
Other operating expenses	126,880	241,005	367,885
Total operating expenses	<u>\$ 284,056</u>	<u>\$ 601,331</u>	<u>\$ 885,387</u>
Income (loss) from operations	<u>\$ 43,721</u>	<u>\$ (210,376)</u>	<u>\$ (166,655)</u>
Nonoperating revenues (expenses):			
Interest expense	\$ (157,212)	\$ (247,293)	\$ (404,505)
Bond issuance costs	-	(2,118)	(2,118)
Total nonoperating revenues (expenses)	<u>\$ (157,212)</u>	<u>\$ (249,411)</u>	<u>\$ (406,623)</u>
Net income (loss) before transfers	<u>\$ (113,491)</u>	<u>\$ (459,787)</u>	<u>\$ (573,278)</u>
Transfers:			
Transfers in	\$ 57,049	\$ 286,925	\$ 343,974
Transfers out	<u>(1,080)</u>	<u>(35,844)</u>	<u>(36,924)</u>
Net transfers	<u>\$ 55,969</u>	<u>\$ 251,081</u>	<u>\$ 307,050</u>
Change in net position	<u>\$ (57,522)</u>	<u>\$ (208,706)</u>	<u>\$ (266,228)</u>
Net position, beginning of year, as restated	<u>803,981</u>	<u>1,887,888</u>	<u>2,691,869</u>
Net position, end of year	<u><u>\$ 746,459</u></u>	<u><u>\$ 1,679,182</u></u>	<u><u>\$ 2,425,641</u></u>

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 297,423	\$ 380,082	\$ 677,505
Payments to suppliers	(135,348)	(457,137)	(592,485)
Payments to employees (including fringe benefits)	(93,355)	(167,553)	(260,908)
Net cash provided by (used for) operating activities	\$ <u>68,720</u>	\$ <u>(244,608)</u>	\$ <u>(175,888)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (43,903)	\$ (121,678)	\$ (165,581)
Bond issuance costs	-	(2,118)	(2,118)
Principal payments on bonds	-	(75,000)	(75,000)
Interest payments	-	(1,500)	(1,500)
Net cash provided by (used for) capital and related financing activities	\$ <u>(43,903)</u>	\$ <u>(200,296)</u>	\$ <u>(244,199)</u>
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES			
Operating transfers in (out)	\$ 55,969	\$ 251,081	\$ 307,050
Net cash provided by (used for) noncapital and financing activities	\$ <u>55,969</u>	\$ <u>251,081</u>	\$ <u>307,050</u>
Net increase (decrease) in cash and cash equivalents	\$ 80,786	\$ (193,823)	\$ (113,037)
Cash and cash equivalents - beginning of year	15,271	209,914	225,185
Cash and cash equivalents - end of year	\$ <u>96,057</u>	\$ <u>16,091</u>	\$ <u>112,148</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 43,721	\$ (210,376)	\$ (166,655)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	84,458	186,915	271,373
Changes in assets and liabilities:			
Accounts receivable	(32,704)	(10,873)	(43,577)
Deferred outflows of resources - pension related items	14,087	(72,554)	(58,467)
Deferred outflows of resources - OPEB related items	(623)	(1,008)	(1,631)
Accounts payable	(1,115)	(209,932)	(211,047)
Accrued liabilities	3,490	1,692	5,182
Net OPEB liabilities	57	(318)	(261)
Compensated absences	3,847	4,121	7,968
Net pension liability	(99,376)	65,012	(34,364)
Deferred inflows of resources - pension related items	50,138	1,813	51,951
Deferred inflows of resources - OPEB related items	390	900	1,290
Customer deposits	2,350	-	2,350
Total adjustments	\$ <u>24,999</u>	\$ <u>(34,232)</u>	\$ <u>(9,233)</u>
Net cash provided by (used for) operating activities	\$ <u>68,720</u>	\$ <u>(244,608)</u>	\$ <u>(175,888)</u>

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Bowling Green, located in the Caroline County, Virginia, was incorporated in 1837. The Town has a population of 1,167 and a land area of 1.63 square miles.

The Town is governed under the Council-Manager form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, and community development.

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

A. Financial Reporting Entity

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and 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.

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

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

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

A. Financial Reporting Entity: (Continued)

Budgetary Comparison Schedules: (Continued)

Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results for its major funds.

Individual Component Unit Disclosures: Accounting principles generally accepted in the United States require financial statements to present the primary 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 and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

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

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function. In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a brief description of the specific funds used by the Town in FY 2018.

1. *Governmental Funds* - Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds.

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

Capital Projects Fund - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

2. *Proprietary Funds* - Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds - Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund and the Sewer Fund.

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

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net position) is segregated into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

1. *Governmental Funds* - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt are recognized when due except for amounts due on July 1, which are accrued.

2. *Proprietary Funds* - The accrual basis of accounting is used for the Enterprise Fund. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

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

D. Budgets and Budgetary Accounting

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

1. Budgets and Budgetary Accounting

- a. The Town Manager, in conjunction with the Administration and Finance Committee, submits a proposed operating budget to the Town Council prior to June 30 of each year. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain citizen comments.
- c. Prior to June 30, the budget is legally enacted through Council vote.
- d. The Town Manager is authorized to transfer budgeted amounts between line items within a department without prior approval from the Town Council.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- f. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

2. Legally Adopted Budgets

The general, capital projects and proprietary funds have legally adopted annual budgets.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with original maturities of three months or less.

F. Investments

External investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Inventory

Inventories are reported at cost on a first-in, first-out basis.

H. Property Taxes

Real estate and personal property are assessed annually on January 1st by the County of Caroline. Personal property and real estate taxes attach as an enforceable lien on the property as of January 1st. Taxes are payable in one installment on December 5th. The Town bills and collects its own property taxes. Penalties accrue at 10% on real estate and personal property taxes beginning December 6th. Interest accrues on real estate and personal property taxes at 10% per annum beginning December 6th after the December 5th due date.

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

I. 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 for the General Fund was \$14,790 at June 30, 2018. The allowance for uncollectible water and sewer charges was \$74,375 at June 30, 2018.

J. Capital Assets

Capital assets include land, buildings, equipment, vehicles and water and sewer mains. Any asset or group of assets acquired by the Town that has a useful life in excess of one year and an acquisition cost, or fair market value (when received), of at least \$5,000 is reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Such assets are recorded at historical cost (or estimated historical cost) if constructed or purchased. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	5-50 years
Equipment	1-15 years
Infrastructure	10-20 years
Vehicles	5-15 years
Utility Plant in Service	10-50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

K. Compensated Absences

Annual Leave

Annual leave is accrued on a semi-monthly basis. The amount of annual leave that an employee accrues and the total that may be accumulated is based upon the employee's length of service. Annual leave accrues on a biweekly basis and on July 1 of each year, all leave accrued in excess of the maximum accrual amount will be lost.

Sick Leave

Employees accrue sick leave is based upon the employee's length of service. There is no maximum sick leave accumulation. In the governmental fund types of the fund financial statements, the cost of annual leave and sick leave is only recognized when payments are made to employees. However, in the government-wide financial statements, the liability for accrued annual and sick leave benefits represent the Town's commitment to fund such vested amounts from future operations. In the proprietary funds the amount of such compensated absences is recognized in full when vested.

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

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. 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 and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. 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 a resolution. This is typically done through adoption and amendment of the budget or a motion to commit funds. 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 or the Town Manager as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

N. Credit Risk

Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Town's customer base. As of June 30, 2018, the Town had no significant concentrations of credit risk.

O. Use of Estimates

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plan(s) made during the current year and subsequent to the net pension and OPEB liability and liability measurement dates. 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 30th and amounts levied during the fiscal year but due after June 30th, and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts levied during the fiscal year but due after June 30th are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

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

R. Other Postemployment Benefits (OPEB)

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

S. 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.

T. Net Position Flow Assumption

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

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

U. Adoption of Accounting Principles:

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)). The implementation of these Statements resulted in the restatement of net position that can found in Note 14.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2018.

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2018 the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Commonwealth of Virginia:	
Telecommunications tax	\$ 5,988
Caroline County	<u>8,532</u>
Totals	<u>\$ 14,520</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 4—CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:	Balance July 1, 2017 As Restated	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 39,197	\$ -	\$ -	\$ 39,197
Total capital assets not being depreciated	<u>\$ 39,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,197</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 346,005	\$ 74,329	\$ -	\$ 420,334
Equipment	113,251	14,674	-	127,925
Infrastructure	180,620	-	-	180,620
Vehicles	108,634	95,192	26,399	177,427
Total capital assets being depreciated	<u>\$ 748,510</u>	<u>\$ 184,195</u>	<u>\$ 26,399</u>	<u>\$ 906,306</u>
Accumulated depreciation:				
Buildings and improvements	\$ 149,186	\$ 11,691	\$ -	\$ 160,877
Equipment	68,508	5,875	-	74,383
Infrastructure	124,430	9,315	-	133,745
Vehicles	108,634	15,403	26,399	97,638
Total accumulated depreciation	<u>\$ 450,758</u>	<u>\$ 42,284</u>	<u>\$ 26,399</u>	<u>\$ 466,643</u>
Total capital assets being depreciated, net	<u>\$ 297,752</u>	<u>\$ 141,911</u>	<u>\$ -</u>	<u>\$ 439,663</u>
Governmental activities capital assets, net	<u>\$ 336,949</u>	<u>\$ 141,911</u>	<u>\$ -</u>	<u>\$ 478,860</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 76,530	\$ -	\$ -	\$ 76,530
Construction in progress	88,960	108,612	-	197,572
Total capital assets not being depreciated	<u>\$ 165,490</u>	<u>\$ 108,612</u>	<u>\$ -</u>	<u>\$ 274,102</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 98,610	\$ -	\$ -	\$ 98,610
Equipment	138,357	7,725	-	146,082
Vehicles	172,301	-	43,430	128,871
Utility plant in service	8,385,721	49,244	-	8,434,965
Total capital assets being depreciated	<u>\$ 8,794,989</u>	<u>\$ 56,969</u>	<u>\$ 43,430</u>	<u>\$ 8,808,528</u>
Accumulated depreciation:				
Buildings and improvements	\$ 46,374	\$ 2,189	\$ -	\$ 48,563
Equipment	105,104	5,226	-	110,330
Vehicles	172,301	-	43,430	128,871
Utility plant in service	2,118,552	263,958	-	2,382,510
Total accumulated depreciation	<u>\$ 2,442,331</u>	<u>\$ 271,373</u>	<u>\$ 43,430</u>	<u>\$ 2,670,274</u>
Total capital assets being depreciated, net	<u>\$ 6,352,658</u>	<u>\$ (214,404)</u>	<u>\$ -</u>	<u>\$ 6,138,254</u>
Business-type activities capital assets, net	<u>\$ 6,518,148</u>	<u>\$ (105,792)</u>	<u>\$ -</u>	<u>\$ 6,412,356</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 12,308
Public Safety	6,274
Public Works	<u>23,702</u>
Total	\$ <u>42,284</u>
Business-type activities	
Water fund	\$ 84,458
Sewer fund	<u>186,915</u>
Total	\$ <u>271,373</u>

NOTE 5—COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding compensated absences. The Town had outstanding compensated absences as follows:

Governmental Activities	\$ <u>11,330</u>
Business-type Activities	\$ <u>10,644</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

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

	<u>Balance at July 1, 2017</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other liabilities:					
Net pension liability	219,295	66,253	85,388	200,160	-
Net OPEB liability	13,111	2,280	2,833	12,558	-
Compensated absences	7,854	10,878	7,402	11,330	10,650
Total Governmental Activities	<u>\$ 240,260</u>	<u>\$ 79,411</u>	<u>\$ 95,623</u>	<u>\$ 224,048</u>	<u>\$ 10,650</u>
	<u>Balance at July 1, 2017 As Restated</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Water Fund					
Direct borrowings and direct placements:					
Bond anticipation notes	\$ 1,552,439	\$ -	\$ -	\$ 1,552,439	\$ 1,552,439
Other liabilities:					
Net pension liability	145,027	12,520	111,896	45,651	-
Net OPEB liability	2,990	520	650	2,860	-
Compensated absences	1,508	4,529	681	5,356	3,284
Sewer Fund					
Direct borrowings and direct placements:					
General obligation bonds	75,000	-	75,000	-	-
Bond anticipation notes	2,434,921	-	-	2,434,921	2,434,921
Other liabilities:					
Net pension liability	40,335	109,946	44,934	105,347	-
Net OPEB liability	6,900	1,200	1,518	6,582	-
Compensated absences	1,167	5,288	1,167	5,288	3,242
Total Business-type Activities	<u>\$ 4,260,287</u>	<u>\$ 134,003</u>	<u>\$ 235,846</u>	<u>\$ 4,158,444</u>	<u>\$ 3,993,886</u>

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

Year	Water Bonds		Sewer Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 1,552,439	\$ 31,756	\$ 2,434,921	\$ 49,808
	<u>\$ 1,552,439</u>	<u>\$ 31,756</u>	<u>\$ 2,434,921</u>	<u>\$ 49,808</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>		
Net pension liability	\$ 200,160	\$ -
Net OPEB liability	\$ 12,558	\$ -
Compensated absences	\$ 11,330	\$ 10,650
Total Governmental Obligations	<u>\$ 224,048</u>	<u>\$ 10,650</u>
<u>Business-type Activities:</u>		
<u>General Bond Anticipation Notes:</u>		
\$3,987,360 bond anticipation note, issued March 15, 2017, maturing September 1, 2018, interest at 1.400%, due at maturity.	\$ 3,987,360	\$ 3,987,360
Total general bond anticipation notes	\$ 3,987,360	\$ 3,987,360
Net pension liability	\$ 150,998	\$ -
Net OPEB liability	\$ 9,442	\$ -
Compensated absences	\$ 10,644	\$ 6,526
Total Business-type Obligations	<u>\$ 4,158,444</u>	<u>\$ 3,993,886</u>
Total Primary Government	<u>\$ 4,382,492</u>	<u>\$ 4,004,536</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—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
<p>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.</p>	<p>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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • 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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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.
<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>*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.</p>
<p>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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>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.</p>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>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.</p> <p><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.</p>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contribution Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u></p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> 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.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>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.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> 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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>
<p>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.</p>	<p>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.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage (Cont.)</p>	<p>Disability Coverage (Cont.)</p>	<p>Disability Coverage (Cont.) 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.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	1
Non-vested inactive members	4
Inactive members active elsewhere in VRS	<u>14</u>
Total inactive members	19
Active members	<u>6</u>
Total covered employees	<u><u>37</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 13.81% 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 \$43,742 and \$36,200 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Net Pension (Asset) Liability

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's 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 ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 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.

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (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 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 1,175,240	\$ 770,583	\$ 404,657
Changes for the year:			
Service cost	\$ 7,393	\$ -	\$ 7,393
Interest	79,620	-	79,620
Differences between expected and actual experience	8,638	-	8,638
Assumption changes	(8,858)	-	(8,858)
Contributions - employer	-	36,200	(36,200)
Contributions - employee	-	12,233	(12,233)
Net investment income	-	92,491	(92,491)
Benefit payments, including refunds	(75,624)	(75,624)	-
Administrative expenses	-	(550)	550
Other changes	-	(82)	82
Net changes	\$ 11,169	\$ 64,668	\$ (53,499)
Balances at June 30, 2017	\$ 1,186,409	\$ 835,251	\$ 351,158

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's Net Pension Liability (Asset)	\$ 493,451	\$ 351,158	\$ 233,771

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 8—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 \$(40,452) At June 30, 2018, the Town deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 332	\$ -
Change in assumptions	-	341
Changes in proportion and differences between employer contributions and proportionate share of contributions	73,939	73,939
Net difference between projected and actual earnings on pension plan investments	-	11,344
Employer contributions subsequent to the measurement date	<u>43,742</u>	<u>-</u>
Total	<u>\$ 118,013</u>	<u>\$ 85,624</u>

\$43,742 reported as deferred outflows of resources related to pensions resulting from the Town's and 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:

<u>Year Ended June 30</u>	
2019	\$ (7,983)
2020	4,232
2021	302
2022	(7,904)
2023	-
Thereafter	-

NOTE 9—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
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>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.</p>

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Town were \$1,795 and 1,436 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 9—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

At June 30, 2018, the Town reported a liability of \$22,000, for their 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 Town's proportion was .00150% as compared to .00129% at June 30, 2016.

For the year ended June 30, 2018, the Town recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000
Change in assumptions	-	1,000
Changes in proportion	3,000	-
Employer contributions subsequent to the measurement date	<u>1,795</u>	<u>-</u>
Total	<u>\$ 4,795</u>	<u>\$ 3,000</u>

NOTE 9—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)

\$1,795 reported as deferred outflows of resources related to the GLI OPEB resulting from the Town’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:

<u>Year Ended June 30</u>		
2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		-

Actuarial Assumptions

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

Inflation	2.5%
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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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%

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 9—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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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.

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%

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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%

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 9—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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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.

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 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (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 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%

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.

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 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 9—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 Retirement Rates	Updated to a more current mortality table - RP-2014 projected to 2020
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)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)*Long-Term Expected Rate of Return*

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

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

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

Discount Rate

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

NOTE 9—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	\$ 29,000	\$ 22,000	\$ 17,000

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 10—UNAVAILABLE/UNEARNED/DEFERRED REVENUES:

Unavailable/unearned/deferred revenues represent amounts for which, under the modified accrual basis of accounting, asset recognition criteria have been met, but for which revenue recognition criteria have not been met (i.e., such amounts are measurable, but not available). Under the accrual basis, assessments for future periods are deferred. At June 30, 2018 unavailable/deferred property tax revenues in the governmental funds totaled \$252,544. Unavailable revenue in the amount of \$6,813 represents sanitation and waste removal fees.

NOTE 11—FIDELITY BOND:

Fidelity bond coverage with Virginia Municipal League during the fiscal year 2018 was as follows:

	<u>Coverage</u>
Public employees dishonesty coverage	\$ 250,000

NOTE 12—COMMITMENTS AND CONTINGENCIES:

While it is anticipated that the Water and Sewer Funds will be able to make the required payments to liquidate the General Bond Anticipation Note, in the event of a failure to do so the full faith and credit of the Town's General Fund will be obligated to meet any necessary payment shortfall.

NOTE 13—LITIGATION:

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

NOTE 14—RESTATEMENT OF NET POSITION/FUND BALANCE:

Net Position/Fund Balance as of July 1, 2018 was restated as follows:

	<u>Net Position</u>		<u>Fund Balance</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>
Beginning net position/fund balance, as previously reported	\$ 1,245,767	\$ 2,630,235	\$ 921,390	\$ -
Restatement of:				
Implementation of GASB 75	(12,291)	(9,272)	-	-
Reporting of separate capital projects fund	-	-	(120,687)	120,687
Deferred outflows of resources - pension related items	19,618	16,582	-	-
Deferred inflows of resources - property taxes	(204,453)	-	-	-
Deferred inflows of resources - sanitation and waste removal	(6,813)	-	-	-
Accounts payable	(10,694)	(2,422)	(5,829)	(4,865)
Capital assets	-	97,375	-	-
Bonds payable	-	(75,000)	-	-
Deferred outflows of resources - deferred amount on refunding	-	34,371	-	-
Beginning net position/fund balance, as restated	<u>\$ 1,031,134</u>	<u>\$ 2,691,869</u>	<u>\$ 794,874</u>	<u>\$ 115,822</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2018 (Continued)

NOTE 15—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 78,075	\$ 521,448
Capital Projects Fund	245,386	109,063
Sewer Fund	286,925	35,844
Water Fund	57,049	1,080
Total	<u>\$ 667,435</u>	<u>\$ 667,435</u>

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTE 16—SUBSEQUENT EVENTS:

In August 2018 the Town entered into a \$6,316,000 USDA Rural Development Loan. The loan proceeds are being used to repay existing debt and to make capital improvements to the Town sewer system.

Required Supplementary Information

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with Accounting Principles Generally Accepted in the United States of America.

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 205,350	\$ 205,350	\$ 216,065	\$ 10,715
Other local taxes	507,500	507,500	501,497	(6,003)
Permits, privilege fees, and regulatory licenses	2,200	2,200	2,930	730
Fines and forfeitures	4,400	4,400	18,787	14,387
Revenue from the use of money and property	37,050	37,050	30,100	(6,950)
Charges for service	85,000	85,000	85,375	375
Miscellaneous	34,000	34,000	54,600	20,600
Intergovernmental:				
Commonwealth	98,000	98,000	93,763	(4,237)
Federal	25,000	25,000	25,000	-
Total revenues	\$ 998,500	\$ 998,500	\$ 1,028,117	\$ 29,617
Expenditures:				
Current:				
General government administration	\$ 375,260	\$ 394,072	\$ 396,031	\$ (1,959)
Public safety	90,700	96,700	97,829	(1,129)
Public works	245,820	261,320	254,131	7,189
Parks, recreation, and cultural	40,500	38,000	39,247	(1,247)
Community development	48,500	53,500	46,933	6,567
Debt service:				
Principal retirement	78,075	78,075	-	78,075
Total expenditures	\$ 878,855	\$ 921,667	\$ 834,171	\$ 87,496
Excess (deficiency) of revenues over expenditures	\$ 119,645	\$ 76,833	\$ 193,946	\$ 117,113
Other financing sources (uses)				
Transfers in	\$ -	\$ 78,075	\$ 78,075	\$ -
Transfers out	(275,689)	(453,689)	(521,448)	(67,759)
Total other financing sources (uses)	\$ (275,689)	\$ (375,614)	\$ (443,373)	\$ (67,759)
Net change in fund balance	\$ (156,044)	\$ (298,781)	\$ (249,427)	\$ 49,354
Fund balances at beginning of year, as restated	156,044	298,781	794,874	496,093
Fund balances at end of year	\$ -	\$ -	\$ 545,447	\$ 545,447

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2015 through June 30, 2017

	2017	2016	2015
Total pension liability			
Service cost	\$ 7,393	\$ 24,955	\$ 25,004
Interest	79,620	88,453	88,963
Differences between expected and actual experience	8,638	(161,984)	(25,232)
Changes in assumptions	(8,858)	-	-
Benefit payments, including refunds of employee contributions	(75,624)	(79,590)	(112,454)
Net change in total pension liability	\$ 11,169	\$ (128,166)	\$ (23,719)
Total pension liability - beginning	1,175,240	1,303,406	1,327,125
Total pension liability - ending (a)	<u>\$ 1,186,409</u>	<u>\$ 1,175,240</u>	<u>\$ 1,303,406</u>
Plan fiduciary net position			
Contributions - employer	\$ 36,200	\$ 49,795	\$ 50,828
Contributions - employee	12,233	10,837	11,328
Net investment income	92,491	12,705	34,145
Benefit payments, including refunds of employee contributions	(75,624)	(79,590)	(112,454)
Administrative expense	(550)	(486)	(512)
Other	(82)	(6)	(8)
Net change in plan fiduciary net position	\$ 64,668	\$ (6,745)	\$ (16,673)
Plan fiduciary net position - beginning	770,583	777,328	794,001
Plan fiduciary net position - ending (b)	<u>\$ 835,251</u>	<u>\$ 770,583</u>	<u>\$ 777,328</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ 351,158	\$ 404,657	\$ 526,078
Plan fiduciary net position as a percentage of the total pension liability	70.40%	65.57%	59.64%
Covered payroll	\$ 276,115	\$ 231,366	\$ 236,530
Town's net pension liability (asset) as a percentage of covered payroll	127.18%	174.90%	222.42%

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.

Schedule of Employer Contributions - Pension
 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	\$ 43,742	\$ 43,742	\$ -	\$ 345,204	12.67%
2017	38,131	38,131	-	276,115	13.81%
2016	50,207	50,207	-	231,366	21.70%
2015	51,327	51,327	-	236,530	21.70%
2014	31,392	31,392	-	231,845	13.54%
2013	39,357	39,357	-	290,668	13.54%
2012	50,369	50,369	-	320,619	15.71%
2011	50,409	50,409	-	320,872	15.71%
2010	38,976	38,976	-	316,619	12.31%
2009	38,529	38,529	-	312,989	12.31%

Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2018

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government 2017	0.0015%	\$ 22,000	\$ 276,115	7.97%	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)
Primary Government					
2018	\$ 1,795	\$ 1,795	-	\$ 345,204	0.52%
2017	1,436	1,436	-	276,115	0.52%
2016	1,111	1,111	-	231,366	0.48%
2015	1,135	1,135	-	236,530	0.48%
2014	1,113	1,113	-	231,845	0.48%
2013	1,395	1,395	-	290,668	0.48%
2012	898	898	-	320,619	0.28%
2011	898	898	-	320,872	0.28%
2010	638	638	-	316,619	0.20%
2009	845	845	-	312,989	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%

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 159,300	\$ 159,300	\$ 162,034	\$ 2,734
Real and personal public service corporation taxes	4,500	4,500	10,379	5,879
Personal property taxes	39,000	39,000	38,704	(296)
Penalties	2,550	2,550	3,201	651
Interest	-	-	1,747	1,747
Total general property taxes	<u>\$ 205,350</u>	<u>\$ 205,350</u>	<u>\$ 216,065</u>	<u>\$ 10,715</u>
Other local taxes:				
Local sales and use taxes	\$ 27,000	\$ 27,000	\$ 27,493	\$ 493
Consumers' utility taxes	30,000	30,000	25,545	(4,455)
Business license taxes	75,000	75,000	85,462	10,462
Motor vehicle licenses	17,000	17,000	17,874	874
Bank stock taxes	144,000	144,000	149,046	5,046
Lodging tax	4,500	4,500	3,947	(553)
Restaurant food taxes	210,000	210,000	192,130	(17,870)
Total other local taxes	<u>\$ 507,500</u>	<u>\$ 507,500</u>	<u>\$ 501,497</u>	<u>\$ (6,003)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 2,200	\$ 2,200	\$ 2,930	\$ 730
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,200</u>	<u>\$ 2,200</u>	<u>\$ 2,930</u>	<u>\$ 730</u>
Fines and forfeitures:				
Fines and penalties	\$ 4,400	\$ 4,400	\$ 18,787	\$ 14,387
Total fines and forfeitures	<u>\$ 4,400</u>	<u>\$ 4,400</u>	<u>\$ 18,787</u>	<u>\$ 14,387</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Revenue from use of property	36,050	36,050	30,100	(5,950)
Total revenue from use of money and property	<u>\$ 37,050</u>	<u>\$ 37,050</u>	<u>\$ 30,100</u>	<u>\$ (6,950)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 85,000	\$ 85,000	\$ 85,375	\$ 375
Total charges for services	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 85,375</u>	<u>\$ 375</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Miscellaneous:				
Miscellaneous	\$ 500	\$ 500	\$ 13,798	\$ 13,298
Wine festival	10,000	10,000	13,107	3,107
Harvest festival	23,500	23,500	27,695	4,195
Total miscellaneous	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ 54,600</u>	<u>\$ 20,600</u>
Total revenue from local sources	<u>\$ 875,500</u>	<u>\$ 875,500</u>	<u>\$ 909,354</u>	<u>\$ 33,854</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ -	\$ -	\$ 9	\$ 9
Personal property tax relief funds	22,000	22,000	21,908	(92)
Telecommunications sales tax	43,000	43,000	37,286	(5,714)
Total noncategorical aid	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 59,203</u>	<u>\$ (5,797)</u>
Categorical aid:				
Shared expenses:				
Local law enforcement assistance	\$ 23,000	\$ 23,000	\$ 23,644	\$ 644
Total shared expenses	<u>23,000</u>	<u>23,000</u>	<u>23,644</u>	<u>644</u>
Categorical aid:				
Other categorical aid:				
Fireman's insurance fund	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Litter control grant	-	-	916	916
Total other categorical aid	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,916</u>	<u>\$ 916</u>
Total categorical aid	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 34,560</u>	<u>\$ 1,560</u>
Total revenue from the Commonwealth	<u>\$ 98,000</u>	<u>\$ 98,000</u>	<u>\$ 93,763</u>	<u>\$ (4,237)</u>
Revenue from the federal government:				
Categorical aid:				
USDA Rural Development grant funds	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Total categorical aid	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>
Total revenue from the federal government	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>
Total General Fund	<u><u>\$ 998,500</u></u>	<u><u>\$ 998,500</u></u>	<u><u>\$ 1,028,117</u></u>	<u><u>\$ 29,617</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 6,316,000	\$ 217	\$ (6,315,783)
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 6,316,000</u>	<u>\$ 217</u>	<u>\$ (6,315,783)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 6,316,000</u>	<u>\$ 217</u>	<u>\$ (6,315,783)</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 6,316,000</u>	<u>\$ 217</u>	<u>\$ (6,315,783)</u>
Total Primary Government	<u>\$ 998,500</u>	<u>\$ 7,314,500</u>	<u>\$ 1,028,334</u>	<u>\$ (6,286,166)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Council services	\$ 11,700	\$ 11,700	\$ 10,525	\$ 1,175
General and financial administration:				
Advertising	\$ 3,000	\$ 7,506	\$ 8,663	\$ (1,157)
Information technology	1,800	6,239	6,239	-
Insurance	12,750	12,750	13,513	(763)
Materials and supplies	3,250	3,250	4,057	(807)
Miscellaneous administrative	5,000	4,340	4,362	(22)
Personnel	84,940	85,601	83,639	1,962
Professional development	2,800	2,800	2,886	(86)
Professional services	68,700	69,418	69,418	-
Telecommunications	1,200	1,200	1,622	(422)
Total general and financial administration	\$ 183,440	\$ 193,104	\$ 194,399	\$ (1,295)
Office of Town Treasurer:				
Audit and accounting	\$ 25,000	\$ 19,634	\$ 22,824	\$ (3,190)
Information technology	18,600	18,600	13,801	4,799
Materials and supplies	6,500	1,300	1,436	(136)
Miscellaneous	-	400	1,648	(1,248)
Office equipment	3,500	6,200	11,013	(4,813)
Personnel	109,520	125,475	124,658	817
Postage	2,000	5,800	5,617	183
Professional development	2,500	2,500	1,913	587
Telecommunications	4,000	2,680	4,830	(2,150)
Total office of town treasurer	\$ 171,620	\$ 182,589	\$ 187,740	\$ (5,151)
Arts Commission:				
Advertising	\$ 4,000	\$ 3,312	\$ 3,312	-
Supplies	4,500	3,367	55	3,312
Total Arts Commission	\$ 8,500	\$ 6,679	\$ 3,367	\$ 3,312
Total general government administration	\$ 375,260	\$ 394,072	\$ 396,031	\$ (1,959)
Public safety:				
Law enforcement and traffic control:				
Equipment	\$ 4,000	\$ 2,600	\$ 6,959	\$ (4,359)
Fuel	1,500	1,500	2,554	(1,054)
Maintenance and repairs	2,000	3,823	3,670	153
Materials and supplies	900	950	1,984	(1,034)
Personnel	61,800	61,050	53,849	7,201
Professional development	3,500	2,044	1,314	730
Professional services	750	1,119	1,119	-
Telecommunications	3,000	4,910	5,004	(94)
Uniforms	500	4,150	6,759	(2,609)
Utilities	750	1,554	1,617	(63)
Total law enforcement and traffic control	\$ 78,700	\$ 83,700	\$ 84,829	\$ (1,129)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 12,000	\$ 13,000	\$ 13,000	\$ -
Total fire and rescue services	<u>12,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Total public safety	<u>\$ 90,700</u>	<u>\$ 96,700</u>	<u>\$ 97,829</u>	<u>\$ (1,129)</u>
Public works:				
Streets and sidewalks:				
Miscellaneous	\$ -	\$ 100	\$ 70	\$ 30
Repairs and maintenance	3,500	3,500	2,524	976
Utilities	20,000	20,878	22,535	(1,657)
Street beautification	8,000	11,522	10,674	848
Total streets and sidewalks	<u>\$ 31,500</u>	<u>\$ 36,000</u>	<u>\$ 35,803</u>	<u>\$ 197</u>
Sanitation and waste removal:				
Litter control	\$ 1,500	\$ 1,500	\$ 1,000	\$ 500
Maintenance and repairs	1,000	1,000	-	1,000
Refuse collection	87,000	87,000	81,955	5,045
Total sanitation and waste removal	<u>\$ 89,500</u>	<u>\$ 89,500</u>	<u>\$ 82,955</u>	<u>\$ 6,545</u>
Facilities:				
Fuel	\$ 2,333	\$ 2,333	\$ 2,097	\$ 236
Insurance	4,167	4,167	4,167	-
Maintenance and repairs	4,333	3,673	5,232	(1,559)
Materials and supplies	5,333	5,333	1,094	4,239
Miscellaneous	-	-	489	(489)
Personnel	102,455	114,115	113,416	699
Professional development	-	-	245	(245)
Telecommunications	1,966	1,966	1,932	34
Uniforms and safety equipment	3,833	3,833	5,991	(2,158)
Utilities	400	400	710	(310)
Total facilities	<u>\$ 124,820</u>	<u>\$ 135,820</u>	<u>\$ 135,373</u>	<u>\$ 447</u>
Total public works	<u>\$ 245,820</u>	<u>\$ 261,320</u>	<u>\$ 254,131</u>	<u>\$ 7,189</u>
Parks, recreation, and cultural:				
Town Hall:				
Materials and supplies	\$ 5,000	\$ 5,000	\$ 4,735	\$ 265
Miscellaneous	6,000	3,500	1,767	1,733
Professional services	13,500	13,500	14,420	(920)
Utilities	8,500	8,500	9,575	(1,075)
Total town hall	<u>\$ 33,000</u>	<u>\$ 30,500</u>	<u>\$ 30,497</u>	<u>\$ 3</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Recreation and cultural:				
Advertising	\$ 500	\$ 500	\$ -	\$ 500
Professional services	7,000	7,000	8,750	(1,750)
Total recreation and cultural	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 8,750</u>	<u>\$ (1,250)</u>
Total parks, recreation, and cultural	<u>\$ 40,500</u>	<u>\$ 38,000</u>	<u>\$ 39,247</u>	<u>\$ (1,247)</u>
Community development:				
Community development and tourism:				
Development	\$ 25,000	\$ 9,467	\$ -	\$ 9,467
Miscellaneous	-	2,800	2,605	195
Other events	-	7,493	10,740	(3,247)
Wine fesitival	-	10,240	11,379	(1,139)
Total community development and tourism	<u>\$ 25,000</u>	<u>\$ 30,000</u>	<u>\$ 24,724</u>	<u>\$ 5,276</u>
Harvest festival:				
Harvest festival	\$ 23,500	\$ 23,500	\$ 22,209	\$ 1,291
Total harvest festival	<u>\$ 23,500</u>	<u>\$ 23,500</u>	<u>\$ 22,209</u>	<u>\$ 1,291</u>
Total community development	<u>\$ 48,500</u>	<u>\$ 53,500</u>	<u>\$ 46,933</u>	<u>\$ 6,567</u>
Debt service:				
Principal retirement	\$ 78,075	\$ 78,075	\$ -	\$ 78,075
Total debt service	<u>\$ 78,075</u>	<u>\$ 78,075</u>	<u>\$ -</u>	<u>\$ 78,075</u>
Total General Fund	<u>\$ 878,855</u>	<u>\$ 921,667</u>	<u>\$ 834,171</u>	<u>\$ 87,496</u>
Capital Projects Fund:				
Capital projects and capital outlays:				
Emergency water and sewer repairs	\$ -	\$ -	\$ 4,984	\$ (4,984)
General capital projects	141,000	209,000	165,376	43,624
Refinancing and USDA projects	6,316,000	6,316,000	-	6,316,000
USDA grant - police vehicles	33,000	33,000	35,719	(2,719)
Total capital projects and capital outlays	<u>\$ 6,490,000</u>	<u>\$ 6,558,000</u>	<u>\$ 206,079</u>	<u>\$ 6,351,921</u>
Total Capital Projects Fund	<u>\$ 6,490,000</u>	<u>\$ 6,558,000</u>	<u>\$ 206,079</u>	<u>\$ 6,351,921</u>
Total Primary Government	<u>\$ 7,368,855</u>	<u>\$ 7,479,667</u>	<u>\$ 1,040,250</u>	<u>\$ 6,439,417</u>

Compliance



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

To the Honorable Members of the Town Council
Town of Bowling Green
Bowling Green, 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, the discretely presented component units, and each major fund of the Town of Bowling Green, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Bowling Green, Virginia's basic financial statements, and have issued our report thereon dated April 28, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. (2018-001)

Compliance and Other Matters

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

Town of Bowling Green, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
April 28, 2020

Schedule of Findings and Responses
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
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2018-001: Material Weakness - Material Audit Adjustments Proposed by the External Auditor

Criteria:

Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.

Condition:

The financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to several accounts and financial statement groups including Fund Balance, Net Position, Taxes Receivable, Deferred Inflows of Resources-Property Taxes, Deferred Charge on Refunding, Capital Assets, Bonds Payable, and Transfers to be in accordance with Generally Accepted Accounting Principles.

Cause:

The Town's internal controls in place to capture and record all necessary balances in the automated accounting system were not adequate for the year end June 30, 2018.

Effect:

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

Recommendation:

We recommend that the Town strengthen internal controls to capture and record all balances accurately in accordance with General Accepted Accounting Principles and eliminate the need for material audit adjustments. In addition, capturing and recording all necessary balances in the accounting system will assist Management and those charged with governance in their decision making for the Town.

Management's Response:

The Town is focused on ensuring accuracy and control over the cash basis statements and regular review of budget to actual to assist Management and those charged with governance in decision making for the town. The financial staff have made significant changes in the last year to the accounting records to record information properly and to document transactions electronically. Many of the entries noted by the auditors are for full accrual financial statement presentation and not integral to the daily functions of the Town. Financial staff will implement additional procedures to review, analyze and prepare the various adjustments needed to comply with Generally Accepted Accounting Principles.

Section III - Prior Audit Findings

There are no prior year audit findings.