

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

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, 2019

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	14-47
<i><u>Required Supplementary Information</u></i>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—General Fund	48
Exhibit 11 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	49

TOWN OF BOWLING GREEN, VIRGINIA
Financial Report
For the Year Ended June 30, 2019

Table of Contents (Continued)

	<u>Page</u>	
Exhibit 12	Schedule of Employer Contributions - Pension	50
Exhibit 13	Notes to Required Supplementary Information - Pension	51
Exhibit 14	Schedule of Town's Share of Net OPEB Liability - Group Life Insurance Program	52
Exhibit 15	Schedule of Employer Contributions - Group Life Insurance Program	53
Exhibit 16	Notes to Required Supplementary Information - Group Life Insurance Program	54

Other Supplementary Information:

Supporting Schedules

Schedule 1	Schedule of Revenues - Budget and Actual—Governmental Funds	55-56
Schedule 2	Schedule of Expenditures - Budget and Actual—Governmental Funds	57-59

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>	60-61
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	62-63
Schedule of Expenditures of Federal Awards	64
Notes to Schedule of Expenditures of Federal Awards	65
Schedule of Findings and Questioned Costs	66-67
Summary Schedule of Prior Audit Findings	68



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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* and early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. 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 48 and 49-54 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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 May 13, 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
May 13, 2020

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority Total
ASSETS				
Cash and cash equivalents	\$ 381,057	\$ 200,531	\$ 581,588	\$ 21,045
Receivables (net of allowance for uncollectibles):				
Taxes receivable	218,970	-	218,970	-
Accounts receivable	44,560	123,644	168,204	-
Due from other governmental units	15,793	263,887	279,680	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	39,197	76,530	115,727	-
Buildings and improvements	281,467	52,033	333,500	-
Equipment	47,649	68,126	115,775	-
Infrastructure	37,560	-	37,560	-
Vehicles	74,265	-	74,265	-
Utility plant in service	-	5,948,765	5,948,765	-
Construction in progress	-	2,602,897	2,602,897	-
Total assets	\$ 1,140,518	\$ 9,336,413	\$ 10,476,931	\$ 21,045
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 73,893	\$ 42,613	\$ 116,506	\$ -
OPEB related items	6,105	4,273	10,378	-
Total deferred outflows of resources	\$ 79,998	\$ 46,886	\$ 126,884	\$ -
LIABILITIES				
Accounts payable	\$ 3,916	\$ 288,713	\$ 292,629	\$ 659
Accrued liabilities	3,431	15,169	18,600	-
Retainage payable	-	115,877	115,877	-
Customers' deposits	-	44,582	44,582	-
Accrued interest payable	-	1,920	1,920	-
Long-term liabilities:				
Due within one year	15,596	126,173	141,769	-
Due in more than one year	276,937	6,241,679	6,518,616	-
Total liabilities	\$ 299,880	\$ 6,834,113	\$ 7,133,993	\$ 659
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 221,589	\$ -	\$ 221,589	\$ -
Deferred revenue - sanitation and waste removal	6,813	-	6,813	-
Pension related items	4,369	44,127	48,496	-
OPEB related items	1,710	1,290	3,000	-
Total deferred inflows of resources	\$ 234,481	\$ 45,417	\$ 279,898	\$ -
NET POSITION				
Net investment in capital assets	\$ 480,138	\$ 2,549,164	\$ 3,029,302	\$ -
Restricted:				
Donations	10,940	-	10,940	-
Unrestricted	195,077	(45,395)	149,682	20,386
Total net position	\$ 686,155	\$ 2,503,769	\$ 3,189,924	\$ 20,386

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, 2019

<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	\$ 400,500	\$ -	\$ -	\$ -
Public safety	156,498	38,758	34,520	25,000
Public works	369,711	83,221	1,034	25,000
Community development	96,308	3,305	-	-
Total governmental activities	<u>\$ 1,023,017</u>	<u>\$ 125,284</u>	<u>\$ 35,554</u>	<u>\$ 50,000</u>
Business-type activities:				
Water	\$ 340,016	\$ 306,853	\$ -	\$ -
Sewer	719,056	427,882	-	51,643
Total business-type activities	<u>\$ 1,059,072</u>	<u>\$ 734,735</u>	<u>\$ -</u>	<u>\$ 51,643</u>
Total primary government	<u>\$ 2,082,089</u>	<u>\$ 860,019</u>	<u>\$ 35,554</u>	<u>\$ 101,643</u>
COMPONENT UNITS:				
Economic Development Authority	\$ 32,485	\$ -	\$ -	\$ -
Total component units	<u>\$ 32,485</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 noncategorical aid
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
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
\$ (400,500)	\$ -	\$ (400,500)	\$ -
(58,220)	-	(58,220)	-
(260,456)	-	(260,456)	-
(93,003)	-	(93,003)	-
<u>\$ (812,179)</u>	<u>\$ -</u>	<u>\$ (812,179)</u>	<u>\$ -</u>
\$ -	\$ (33,163)	\$ (33,163)	\$ -
-	(239,531)	(239,531)	-
<u>\$ -</u>	<u>\$ (272,694)</u>	<u>\$ (272,694)</u>	<u>\$ -</u>
<u>\$ (812,179)</u>	<u>\$ (272,694)</u>	<u>\$ (1,084,873)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (32,485)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,485)</u>
\$ 233,806	\$ -	\$ 233,806	\$ -
29,117	-	29,117	-
3,558	-	3,558	-
78,620	-	78,620	-
231,010	-	231,010	-
174,167	-	174,167	-
31,108	-	31,108	-
27,067	-	27,067	-
27,464	-	27,464	-
61,968	-	61,968	-
56,514	-	56,514	-
(350,822)	350,822	-	-
<u>\$ 603,577</u>	<u>\$ 350,822</u>	<u>\$ 954,399</u>	<u>\$ -</u>
(208,602)	78,128	(130,474)	(32,485)
894,757	2,425,641	3,320,398	52,871
<u>\$ 686,155</u>	<u>\$ 2,503,769</u>	<u>\$ 3,189,924</u>	<u>\$ 20,386</u>

Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2019

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 327,395	\$ 53,662	\$ 381,057
Receivables (net of allowance for uncollectibles):			
Taxes receivable	218,970	-	218,970
Accounts receivable	44,560	-	44,560
Due from other governmental units	15,793	-	15,793
Total assets	<u>\$ 606,718</u>	<u>\$ 53,662</u>	<u>\$ 660,380</u>
LIABILITIES			
Accounts payable	\$ 3,916	\$ -	\$ 3,916
Accrued liabilities	3,431	-	3,431
Total liabilities	<u>\$ 7,347</u>	<u>\$ -</u>	<u>\$ 7,347</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 218,540	\$ -	\$ 218,540
Unavailable revenue - sanitation and waste removal	6,813	-	6,813
Total deferred inflows of resources	<u>\$ 225,353</u>	<u>\$ -</u>	<u>\$ 225,353</u>
FUND BALANCES			
Restricted:			
Donations	\$ 10,940	\$ -	\$ 10,940
Capital projects	-	15,470	15,470
Committed:			
Capital projects	-	38,192	38,192
Unassigned	363,078	-	363,078
Total fund balances	<u>\$ 374,018</u>	<u>\$ 53,662</u>	<u>\$ 427,680</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 606,718</u>	<u>\$ 53,662</u>	<u>\$ 660,380</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, 2019

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	427,680	
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.			480,138
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			(3,049)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	73,893	
OPEB related items		<u>6,105</u>	79,998
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	\$	(16,592)	
Net Pension liability		(260,551)	
Net OPEB liabilities		<u>(15,390)</u>	(292,533)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(4,369)	
OPEB related items		<u>(1,710)</u>	(6,079)
Net position of governmental activities			<u>\$ 686,155</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, 2019

	General	Capital Projects	Total
REVENUES			
General property taxes	\$ 257,060	\$ -	\$ 257,060
Other local taxes	574,647	-	574,647
Permits, privilege fees, and regulatory licenses	3,305	-	3,305
Fines and forfeitures	38,758	-	38,758
Revenue from the use of money and property	27,160	304	27,464
Charges for services	83,221	-	83,221
Miscellaneous	61,968	-	61,968
Intergovernmental:			
Commonwealth	92,068	-	92,068
Federal	-	50,000	50,000
Total revenues	<u>\$ 1,138,187</u>	<u>\$ 50,304</u>	<u>\$ 1,188,491</u>
EXPENDITURES			
Current:			
General government administration	\$ 382,194	\$ -	\$ 382,194
Public safety	139,204	-	139,204
Public works	332,530	-	332,530
Community development	96,308	-	96,308
Capital projects	-	51,483	51,483
Total expenditures	<u>\$ 950,236</u>	<u>\$ 51,483</u>	<u>\$ 1,001,719</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 187,951</u>	<u>\$ (1,179)</u>	<u>\$ 186,772</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 198,257	\$ 2,329,804	\$ 2,528,061
Transfers out	(557,637)	(2,321,246)	(2,878,883)
Total other financing sources (uses)	<u>\$ (359,380)</u>	<u>\$ 8,558</u>	<u>\$ (350,822)</u>
Net change in fund balances	\$ (171,429)	\$ 7,379	\$ (164,050)
Fund balances - beginning	545,447	46,283	591,730
Fund balances - ending	<u>\$ 374,018</u>	<u>\$ 53,662</u>	<u>\$ 427,680</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, 2019

		Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(164,050)
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	\$	50,222
Depreciation expense		(48,944)
		1,278
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		(23,254)
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	\$	(5,262)
Pension expense		(17,854)
OPEB expense		540
		(22,576)
Change in net position of governmental activities	\$	(208,602)

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	\$ 109,562	\$ 90,969	\$ 200,531
Accounts receivable, net of allowance for uncollectibles	62,281	61,363	123,644
Due from other governmental units	-	263,887	263,887
Total current assets	\$ 171,843	\$ 416,219	\$ 588,062
Noncurrent assets:			
Capital assets:			
Land and land improvements	\$ 18,000	\$ 58,530	\$ 76,530
Building and improvements	2,223	100,833	103,056
Equipment	66,132	120,427	186,559
Vehicles	64,436	64,436	128,872
Utility plant in service	3,068,801	5,531,751	8,600,552
Construction in progress	-	2,602,897	2,602,897
Accumulated depreciation	(869,978)	(2,080,137)	(2,950,115)
Total capital assets	\$ 2,349,614	\$ 6,398,737	\$ 8,748,351
Total noncurrent assets	\$ 2,349,614	\$ 6,398,737	\$ 8,748,351
Total assets	\$ 2,521,457	\$ 6,814,956	\$ 9,336,413
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 8,169	\$ 34,444	\$ 42,613
OPEB related items	1,302	2,971	4,273
Total deferred outflows of resources	\$ 9,471	\$ 37,415	\$ 46,886
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 23,202	\$ 265,511	\$ 288,713
Retainage payable	-	115,877	115,877
Accrued liabilities	10,526	4,643	15,169
Customers' deposits	44,582	-	44,582
Compensated absences	3,720	7,077	10,797
Accrued interest payable	480	1,440	1,920
Bonds payable - current portion	28,932	86,444	115,376
Total current liabilities	\$ 111,442	\$ 480,992	\$ 592,434
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,525,690	\$ 4,558,121	\$ 6,083,811
Net pension liability	44,093	96,203	140,296
Net OPEB liability	3,510	8,100	11,610
Compensated absences	3,417	2,545	5,962
Total noncurrent liabilities	\$ 1,576,710	\$ 4,664,969	\$ 6,241,679
Total liabilities	\$ 1,688,152	\$ 5,145,961	\$ 6,834,113
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 38,344	\$ 5,783	\$ 44,127
OPEB related items	390	900	1,290
Total deferred outflows of resources	\$ 38,734	\$ 6,683	\$ 45,417
NET POSITION			
Net investment in capital assets	\$ 794,992	\$ 1,754,172	\$ 2,549,164
Unrestricted	9,050	(54,445)	(45,395)
Total net position	\$ 804,042	\$ 1,699,727	\$ 2,503,769

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, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water revenues	\$ 300,503	\$ -	\$ 300,503
Sewer revenues	-	426,382	426,382
Connection fees	6,350	1,500	7,850
Total operating revenues	<u>\$ 306,853</u>	<u>\$ 427,882</u>	<u>\$ 734,735</u>
Operating expenses:			
Personnel services	\$ 56,933	\$ 129,303	\$ 186,236
Fringe benefits	16,640	71,560	88,200
Contractual services	15,000	-	15,000
Depreciation	87,821	192,020	279,841
Other operating expenses	121,599	237,292	358,891
Total operating expenses	<u>\$ 297,993</u>	<u>\$ 630,175</u>	<u>\$ 928,168</u>
Income (loss) from operations	<u>\$ 8,860</u>	<u>\$ (202,293)</u>	<u>\$ (193,433)</u>
Nonoperating revenues (expenses):			
Interest expense	<u>\$ (42,023)</u>	<u>\$ (88,881)</u>	<u>\$ (130,904)</u>
Total nonoperating revenues (expenses)	<u>\$ (42,023)</u>	<u>\$ (88,881)</u>	<u>\$ (130,904)</u>
Net income (loss) before transfers	<u>\$ (33,163)</u>	<u>\$ (291,174)</u>	<u>\$ (324,337)</u>
Capital grants and contributions:			
USDA rural development grant proceeds	<u>\$ -</u>	<u>\$ 51,643</u>	<u>\$ 51,643</u>
	<u>\$ -</u>	<u>\$ 51,643</u>	<u>\$ 51,643</u>
Transfers:			
Transfers in	\$ 90,746	\$ 2,559,880	\$ 2,650,626
Transfers out	-	(2,299,804)	(2,299,804)
Net transfers	<u>\$ 90,746</u>	<u>\$ 260,076</u>	<u>\$ 350,822</u>
Change in net position	\$ 57,583	\$ 20,545	\$ 78,128
Net position, beginning of year	746,459	1,679,182	2,425,641
Net position, end of year	<u>\$ 804,042</u>	<u>\$ 1,699,727</u>	<u>\$ 2,503,769</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, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 340,306	\$ 419,927	\$ 760,233
Payments to suppliers	(127,847)	(243,500)	(371,347)
Payments to employees (including fringe benefits)	(107,673)	(164,108)	(271,781)
Net cash provided by (used for) operating activities	\$ <u>104,786</u>	\$ <u>12,319</u>	\$ <u>117,105</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (137,179)	\$ (2,362,780)	\$ (2,499,959)
Principal payments on bonds	(1,581,642)	(2,522,531)	(4,104,173)
Proceeds from indebtedness	1,583,825	4,732,175	6,316,000
Interest payments	(47,031)	(96,024)	(143,055)
Capital grants and contributions	-	51,643	51,643
Net cash provided by (used for) capital and related financing activities	\$ <u>(182,027)</u>	\$ <u>(197,517)</u>	\$ <u>(379,544)</u>
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES			
Operating transfers in (out)	\$ <u>90,746</u>	\$ <u>260,076</u>	\$ <u>350,822</u>
Net cash provided by (used for) noncapital and financing activities	\$ <u>90,746</u>	\$ <u>260,076</u>	\$ <u>350,822</u>
Net increase (decrease) in cash and cash equivalents	\$ 13,505	\$ 74,878	\$ 88,383
Cash and cash equivalents - beginning of year	96,057	16,091	112,148
Cash and cash equivalents - end of year	\$ <u>109,562</u>	\$ <u>90,969</u>	\$ <u>200,531</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 8,860	\$ (202,293)	\$ (193,433)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	87,821	192,020	279,841
Changes in assets and liabilities:			
Accounts receivable	30,153	(7,955)	22,198
Deferred outflows of resources - pension related items	(2,440)	43,621	41,181
Deferred outflows of resources - OPEB related items	(679)	(1,532)	(2,211)
Accounts payable	8,752	(6,208)	2,544
Accrued liabilities	627	(258)	369
Net OPEB liabilities	650	1,518	2,168
Compensated absences	1,781	4,334	6,115
Net pension liability	(1,558)	(9,144)	(10,702)
Deferred inflows of resources - pension related items	(32,481)	(1,784)	(34,265)
Customer deposits	3,300	-	3,300
Total adjustments	\$ <u>95,926</u>	\$ <u>214,612</u>	\$ <u>310,538</u>
Net cash provided by (used for) operating activities	\$ <u>104,786</u>	\$ <u>12,319</u>	\$ <u>117,105</u>

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019

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)

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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 2019.

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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 \$27,974 at June 30, 2019. The allowance for uncollectible water and sewer charges was \$74,375 at June 30, 2019.

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 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, 2019, 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 one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plan(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.

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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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

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.

U. Adoption of Accounting Principles:

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

The Town early implemented provisions of Governmental Accounting Standards Board Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period during the fiscal year ended June 30, 2019. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2019.

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2019 the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Commonwealth of Virginia:		
Telecommunications tax	\$ 5,521	\$ -
Caroline County	10,272	-
USDA Rural Development funds		<u>263,887</u>
Totals	<u>\$ 15,793</u>	<u>\$ 263,887</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS:

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

Governmental Activities:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
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	\$ 420,334	\$ 34,323	\$ -	\$ 454,657
Equipment	127,925	-	-	127,925
Infrastructure	180,620	-	-	180,620
Vehicles	177,427	15,899	-	193,326
Total capital assets being depreciated	<u>\$ 906,306</u>	<u>\$ 50,222</u>	<u>\$ -</u>	<u>\$ 956,528</u>
Accumulated depreciation:				
Buildings and improvements	\$ 160,877	\$ 12,313	\$ -	\$ 173,190
Equipment	74,383	5,893	-	80,276
Infrastructure	133,745	9,315	-	143,060
Vehicles	97,638	21,423	-	119,061
Total accumulated depreciation	<u>\$ 466,643</u>	<u>\$ 48,944</u>	<u>\$ -</u>	<u>\$ 515,587</u>
Total capital assets being depreciated, net	<u>\$ 439,663</u>	<u>\$ 1,278</u>	<u>\$ -</u>	<u>\$ 440,941</u>
Governmental activities capital assets, net	<u>\$ 478,860</u>	<u>\$ 1,278</u>	<u>\$ -</u>	<u>\$ 480,138</u>

Business-type Activities:

Capital assets not being depreciated:				
Land and land improvements	\$ 76,530	\$ -	\$ -	\$ 76,530
Construction in progress	197,572	2,405,325	-	2,602,897
Total capital assets not being depreciated	<u>\$ 274,102</u>	<u>\$ 2,405,325</u>	<u>\$ -</u>	<u>\$ 2,679,427</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 98,610	\$ 4,446	\$ -	\$ 103,056
Equipment	146,082	40,478	-	186,560
Vehicles	128,871	-	-	128,871
Utility plant in service	8,434,965	165,587	-	8,600,552
Total capital assets being depreciated	<u>\$ 8,808,528</u>	<u>\$ 210,511</u>	<u>\$ -</u>	<u>\$ 9,019,039</u>
Accumulated depreciation:				
Buildings and improvements	\$ 48,563	\$ 2,460	\$ -	\$ 51,023
Equipment	110,330	8,104	-	118,434
Vehicles	128,871	-	-	128,871
Utility plant in service	2,382,510	269,277	-	2,651,787
Total accumulated depreciation	<u>\$ 2,670,274</u>	<u>\$ 279,841</u>	<u>\$ -</u>	<u>\$ 2,950,115</u>
Total capital assets being depreciated, net	<u>\$ 6,138,254</u>	<u>\$ (69,330)</u>	<u>\$ -</u>	<u>\$ 6,068,924</u>
Business-type activities capital assets, net	<u>\$ 6,412,356</u>	<u>\$ 2,335,995</u>	<u>\$ -</u>	<u>\$ 8,748,351</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 12,178
Public Safety	11,784
Public Works	<u>24,982</u>
Total	\$ <u>48,944</u>
Business-type activities	
Water fund	\$ 87,821
Sewer fund	<u>192,020</u>
Total	\$ <u>279,841</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>16,592</u>
Business-type Activities	\$ <u>16,759</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (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, 2019:

	<u>Balance at July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other liabilities:					
Net pension liability	200,160	138,274	77,883	260,551	-
Net OPEB liability	12,558	7,392	4,560	15,390	-
Compensated absences	11,330	15,912	10,650	16,592	15,596
Total Governmental Activities	<u>\$ 224,048</u>	<u>\$ 161,578</u>	<u>\$ 93,093</u>	<u>\$ 292,533</u>	<u>\$ 15,596</u>
	<u>Balance at July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2019</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	\$ -	\$ -
General Obligation bonds	-	1,583,825	29,203	1,554,622	28,932
Other liabilities:					
Net pension liability	45,651	18,647	20,205	44,093	-
Net OPEB liability	2,860	1,690	1,040	3,510	-
Compensated absences	5,356	5,065	3,284	7,137	3,720
Sewer Fund					
Direct borrowings and direct placements:					
Bond anticipation notes	2,434,921	-	2,434,921	-	-
Sewer revenue bonds	-	4,732,175	87,610	4,644,565	86,444
Other liabilities:					
Net pension liability	105,347	40,682	49,826	96,203	-
Net OPEB liability	6,582	3,918	2,400	8,100	-
Compensated absences	5,288	7,576	3,242	9,622	7,077
Total Business-type Activities	<u>\$ 4,158,444</u>	<u>\$ 6,393,578</u>	<u>\$ 4,184,170</u>	<u>\$ 6,367,852</u>	<u>\$ 126,173</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year	Water Bonds		Sewer Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 28,932	\$ 25,046	86,444	74,834
2021	29,406	24,573	87,859	73,418
2022	29,887	24,091	89,297	71,980
2023	30,377	23,602	90,759	70,518
2024	30,874	23,105	92,245	69,032
2025-2029	162,119	107,774	484,380	322,008
2030-2034	175,831	94,061	525,350	281,038
2035-2039	190,703	79,189	569,785	236,602
2040-2044	206,833	63,059	617,979	188,409
2045-2049	224,328	45,565	670,249	136,138
2050-2054	243,302	26,590	726,941	79,447
2055-2058	202,030	6,541	603,277	19,543
	<u>\$ 1,554,622</u>	<u>\$ 543,196</u>	<u>\$ 4,644,565</u>	<u>\$ 1,622,967</u>

Details of Long-term Obligations:

	Amount Outstanding	Amounts Due Within One Year
<u>Governmental Activities:</u>		
Net pension liability	\$ 260,551	\$ -
Net OPEB liability	\$ 15,390	\$ -
Compensated absences	\$ 16,592	\$ 15,596
Total Governmental Obligations	<u>\$ 292,533</u>	<u>\$ 15,596</u>
<u>Business-type Activities:</u>		
<u>Bonds Payable:</u>		
\$6,316,000 General Obligation and Sewer Revenue Bonds, issued August 24, 2018, payable in 480 monthly installments of \$17,938 beginning on September 24, 2018, interest payable at 1.625% per year.	\$ 6,199,187	\$ 115,376
Total general obligation and sewer revenue bonds	<u>\$ 6,199,187</u>	<u>\$ 115,376</u>
Net pension liability	\$ 140,296	\$ -
Net OPEB liability	\$ 11,610	\$ -
Compensated absences	\$ 16,759	\$ 10,797
Total Business-type Obligations	<u>\$ 6,367,852</u>	<u>\$ 126,173</u>
Total Primary Government	<u>\$ 6,660,385</u>	<u>\$ 141,769</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements June 30, 2019

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.

Benefit Structures

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

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

NOTE 8—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Remainder of page is blank intentionally

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2019

Employees Covered by Benefit Terms

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

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	1
Non-vested inactive members	5
Active members active elsewhere in VRS	13
Total inactive members	19
Active members	7
Total covered employees	39

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 14.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$61,957 and \$43,742 for the years ended June 30, 2019 and June 30, 2018, respectively.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2019

NOTE 8—PENSION PLAN: (CONTINUED)

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

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

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment 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, 2019

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

Largest 10 - 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, 2019

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment 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, 2019

NOTE 8—PENSION PLAN: (CONTINUED)

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

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

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, 2019

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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2019

NOTE 8—PENSION PLAN: (CONTINUED)

Discount Rate (continued)

From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 1,186,409	\$ 835,251	\$ 351,158
Changes for the year:			
Service cost	\$ 23,097	\$ -	\$ 23,097
Interest	79,975	-	79,975
Differences between expected and actual experience	65,841	-	65,841
Assumption changes	-	-	-
Contributions - employer	-	43,742	(43,742)
Contributions - employee	-	15,035	(15,035)
Net investment income	-	61,042	(61,042)
Benefit payments, including refunds	(87,808)	(87,808)	-
Administrative expenses	-	(541)	541
Other changes	-	(54)	54
Net changes	\$ 81,105	\$ 31,416	\$ 49,689
Balances at June 30, 2018	\$ 1,267,514	\$ 866,667	\$ 400,847

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)	\$ 549,490	\$ 400,847	\$ 277,872

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2019

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, 2019, the Town recognized pension expense of \$76,025. At June 30, 2019, 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	\$ 12,312	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,259
Change in proportionate share	42,237	42,237
Employer contributions subsequent to the measurement date	<u>61,957</u>	<u>-</u>
Total	<u>\$ 116,506</u>	<u>\$ 48,496</u>

\$61,957 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ 15,822
2021	(420)
2022	(8,626)
2023	(723)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, 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, 2019 (Continued)

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Town were \$2,378 and 1,795 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2018, the Town reported a liability of \$27,000, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Town’s proportion was .00181% as compared to .00150% at June 30, 2017.

For the year ended June 30, 2019, the Town recognized GLI OPEB expense of \$2,000. 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, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000
Change in assumptions	-	1,000
Changes in proportion	7,000	-
Employer contributions subsequent to the measurement date	<u>2,378</u>	<u>-</u>
Total	<u>\$ 10,378</u>	<u>\$ 3,000</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (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 GLI Program OPEB (Continued)

\$2,378 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ 2,000
2021	2,000
2022	1,000
2023	-
2024	-
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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, 2019 (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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and 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 GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (Continued)

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	\$ 36,000	\$ 27,000	\$ 21,000

GLI Program Fiduciary Net Position

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2019 (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, 2019 unavailable/deferred property tax revenues in the governmental funds totaled \$221,589. 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 2019 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 Bonds Payable, 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.

At June 30, 2019 the Town had outstanding construction commitments of \$1,251,131.

NOTE 13—LITIGATION:

At June 30, 2019, 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—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 198,257	\$ 557,637
Capital Projects Fund	2,329,804	2,321,246
Sewer Fund	2,559,880	2,299,804
Water Fund	90,746	-
Total	<u>\$ 5,178,687</u>	<u>\$ 5,178,687</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.

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, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 220,850	\$ 220,850	\$ 257,060	\$ 36,210
Other local taxes	520,150	520,150	574,647	54,497
Permits, privilege fees, and regulatory licenses	1,700	1,700	3,305	1,605
Fines and forfeitures	30,400	30,400	38,758	8,358
Revenue from the use of money and property	32,100	32,100	27,160	(4,940)
Charges for service	85,000	85,000	83,221	(1,779)
Miscellaneous	39,500	39,500	61,968	22,468
Intergovernmental:				
Commonwealth	100,000	100,000	92,068	(7,932)
Total revenues	\$ 1,029,700	\$ 1,029,700	\$ 1,138,187	\$ 108,487
Expenditures:				
Current:				
General government administration	\$ 406,203	\$ 392,320	\$ 382,194	\$ 10,126
Public safety	113,765	134,858	139,204	(4,346)
Public works	316,775	330,685	332,530	(1,845)
Community development	91,450	91,450	96,308	(4,858)
Debt service:				
Principal retirement	216,000	179,380	-	179,380
Total expenditures	\$ 1,144,193	\$ 1,128,693	\$ 950,236	\$ 178,457
Excess (deficiency) of revenues over expenditures	\$ (114,493)	\$ (98,993)	\$ 187,951	\$ 286,944
Other financing sources (uses)				
Transfers in	\$ 234,100	\$ 234,100	\$ 198,257	\$ (35,843)
Transfers out	(284,100)	(377,480)	(557,637)	(180,157)
Total other financing sources (uses)	\$ (50,000)	\$ (143,380)	\$ (359,380)	\$ (216,000)
Net change in fund balance	\$ (164,493)	\$ (242,373)	\$ (171,429)	\$ 70,944
Fund balances at beginning of year	164,493	242,373	545,447	303,074
Fund balances at end of year	\$ -	\$ -	\$ 374,018	\$ 374,018

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2015 through June 30, 2018

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 23,097	\$ 7,393	\$ 24,955	\$ 25,004
Interest	79,975	79,620	88,453	88,963
Differences between expected and actual experience	65,841	8,638	(161,984)	(25,232)
Changes in assumptions	-	(8,858)	-	-
Benefit payments, including refunds of employee contributions	(87,808)	(75,624)	(79,590)	(112,454)
Net change in total pension liability	\$ 81,105	\$ 11,169	\$ (128,166)	\$ (23,719)
Total pension liability - beginning	1,186,409	1,175,240	1,303,406	1,327,125
Total pension liability - ending (a)	\$ 1,267,514	\$ 1,186,409	\$ 1,175,240	\$ 1,303,406
Plan fiduciary net position				
Contributions - employer	\$ 43,742	\$ 36,200	\$ 49,795	\$ 50,828
Contributions - employee	15,035	12,233	10,837	11,328
Net investment income	61,042	92,491	12,705	34,145
Benefit payments, including refunds of employee contributions	(87,808)	(75,624)	(79,590)	(112,454)
Administrative expense	(541)	(550)	(486)	(512)
Other	(54)	(82)	(6)	(8)
Net change in plan fiduciary net position	\$ 31,416	\$ 64,668	\$ (6,745)	\$ (16,673)
Plan fiduciary net position - beginning	835,251	770,583	777,328	794,001
Plan fiduciary net position - ending (b)	\$ 866,667	\$ 835,251	\$ 770,583	\$ 777,328
Town's net pension liability (asset) - ending (a) - (b)	\$ 400,847	\$ 351,158	\$ 404,657	\$ 526,078
Plan fiduciary net position as a percentage of the total pension liability	68.38%	70.40%	65.57%	59.64%
Covered payroll	\$ 345,204	\$ 276,115	\$ 231,366	\$ 236,530
Town's net pension liability (asset) as a percentage of covered payroll	116.12%	127.18%	174.90%	222.41%

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, 2010 through June 30, 2019

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)
2019	\$ 61,957	\$ 61,957	\$ -	\$ 457,420	13.54%
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%

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

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2018	0.001810%	\$ 27,000	\$ 345,204	7.82%	51.22%
2017	0.001500%	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, 2010 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
Primary Government					
2019	\$ 2,378	\$ 2,378	-	\$ 457,420	0.52%
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%

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

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

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

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, 2019

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	\$ 175,850	\$ 175,850	\$ 182,986	\$ 7,136
Real and personal public service corporation taxes	4,500	4,500	3,381	(1,119)
Personal property taxes	36,500	36,500	56,545	20,045
Penalties	3,000	3,000	6,169	3,169
Interest	1,000	1,000	7,979	6,979
Total general property taxes	<u>\$ 220,850</u>	<u>\$ 220,850</u>	<u>\$ 257,060</u>	<u>\$ 36,210</u>
Other local taxes:				
Local sales and use taxes	\$ 30,000	\$ 30,000	\$ 29,117	\$ (883)
Consumers' utility taxes	30,000	30,000	31,108	1,108
Business license taxes	75,000	75,000	78,620	3,620
Motor vehicle licenses	20,650	20,650	27,067	6,417
Bank stock taxes	150,000	150,000	174,167	24,167
Lodging tax	4,500	4,500	3,558	(942)
Restaurant food taxes	210,000	210,000	231,010	21,010
Total other local taxes	<u>\$ 520,150</u>	<u>\$ 520,150</u>	<u>\$ 574,647</u>	<u>\$ 54,497</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 1,700	\$ 1,700	\$ 3,305	\$ 1,605
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,700</u>	<u>\$ 1,700</u>	<u>\$ 3,305</u>	<u>\$ 1,605</u>
Fines and forfeitures:				
Fines and penalties	\$ 30,400	\$ 30,400	\$ 38,758	\$ 8,358
Total fines and forfeitures	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 38,758</u>	<u>\$ 8,358</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Revenue from use of property	31,100	31,100	27,160	(3,940)
Total revenue from use of money and property	<u>\$ 32,100</u>	<u>\$ 32,100</u>	<u>\$ 27,160</u>	<u>\$ (4,940)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 85,000	\$ 85,000	\$ 83,221	\$ (1,779)
Total charges for services	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 83,221</u>	<u>\$ (1,779)</u>
Revenue from local sources: (continued)				
Miscellaneous:				
Miscellaneous	\$ 8,500	\$ 8,500	\$ 24,035	\$ 15,535
Wine festival	7,500	7,500	9,099	1,599
Harvest festival	23,500	23,500	28,834	5,334
Total miscellaneous	<u>\$ 39,500</u>	<u>\$ 39,500</u>	<u>\$ 61,968</u>	<u>\$ 22,468</u>
Total revenue from local sources	<u>\$ 929,700</u>	<u>\$ 929,700</u>	<u>\$ 1,046,119</u>	<u>\$ 116,419</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ -	\$ -	\$ 16	\$ 16
Personal property tax relief funds	22,000	22,000	21,908	(92)
Telecommunications sales tax	43,000	43,000	34,590	(8,410)
Total noncategorical aid	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 56,514</u>	<u>\$ (8,486)</u>
Categorical aid:				
Shared expenses:				
Local law enforcement assistance	\$ 23,000	\$ 23,000	\$ 24,520	\$ 1,520
Total shared expenses	<u>23,000</u>	<u>23,000</u>	<u>24,520</u>	<u>1,520</u>
Categorical aid:				
Other categorical aid:				
Fireman's insurance fund	\$ 11,000	\$ 11,000	\$ 10,000	\$ (1,000)
Litter control grant	1,000	1,000	1,034	34
Total other categorical aid	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 11,034</u>	<u>\$ (966)</u>
Total categorical aid	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 35,554</u>	<u>\$ 554</u>
Total revenue from the Commonwealth	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 92,068</u>	<u>\$ (7,932)</u>
Total General Fund	<u>\$ 1,029,700</u>	<u>\$ 1,029,700</u>	<u>\$ 1,138,187</u>	<u>\$ 108,487</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 304	\$ 304
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304</u>	<u>\$ 304</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304</u>	<u>\$ 304</u>
Revenue from the federal government:				
Categorical aid:				
USDA Rural Development grant funds	\$ 25,000	\$ 1,585,000	\$ 50,000	\$ (1,535,000)
Total categorical aid	<u>\$ 25,000</u>	<u>\$ 1,585,000</u>	<u>\$ 50,000</u>	<u>\$ (1,535,000)</u>
Total revenue from the federal government	<u>\$ 25,000</u>	<u>\$ 1,585,000</u>	<u>\$ 50,000</u>	<u>\$ (1,535,000)</u>
Total Capital Projects Fund	<u>\$ 25,000</u>	<u>\$ 1,585,000</u>	<u>\$ 50,304</u>	<u>\$ (1,534,696)</u>
Total All Governmental Funds	<u>\$ 1,079,700</u>	<u>\$ 2,614,700</u>	<u>\$ 1,188,491</u>	<u>\$ (1,426,209)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Council services	\$ 19,550	\$ 13,750	\$ 13,519	\$ 231
General and financial administration:				
Advertising	\$ 4,000	\$ 4,000	\$ 6,098	\$ (2,098)
Information technology	25,000	25,000	25,044	(44)
Insurance	13,000	13,000	11,419	1,581
Materials and supplies	2,500	2,500	2,862	(362)
Miscellaneous administrative	25,250	17,167	8,164	9,003
Personnel	85,613	85,613	83,219	2,394
Professional development	2,800	2,800	3,035	(235)
Professional services	20,500	20,500	20,514	(14)
Telecommunications	1,200	1,200	1,110	90
Total general and financial administration	<u>\$ 179,863</u>	<u>\$ 171,780</u>	<u>\$ 161,465</u>	<u>\$ 10,315</u>
Office of Town Treasurer:				
Audit and accounting	\$ 20,000	\$ 20,000	\$ 21,041	\$ (1,041)
Information technology	18,600	18,600	16,049	2,551
Materials and supplies	1,500	1,500	2,428	(928)
Miscellaneous	250	250	5,185	(4,935)
Office equipment	6,000	6,000	11,330	(5,330)
Personnel	149,940	149,940	141,573	8,367
Postage	5,000	5,000	2,909	2,091
Professional development	2,500	2,500	1,554	946
Telecommunications	3,000	3,000	5,141	(2,141)
Total office of town treasurer	<u>\$ 206,790</u>	<u>\$ 206,790</u>	<u>\$ 207,210</u>	<u>\$ (420)</u>
Total general government administration	<u>\$ 406,203</u>	<u>\$ 392,320</u>	<u>\$ 382,194</u>	<u>\$ 10,126</u>

Schedule of Expenditures - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2019

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Equipment	\$ -	\$ -	\$ 2,863	\$ (2,863)
Fuel	5,000	5,000	4,523	477
Maintenance and repairs	1,250	1,250	1,924	(674)
Materials and supplies	1,100	1,400	1,935	(535)
Miscellaneous	-	-	1,406	(1,406)
Personnel	86,665	105,658	102,568	3,090
Professional development	2,000	2,000	824	1,176
Professional services	750	750	3,600	(2,850)
Telecommunications	3,000	4,000	3,738	262
Uniforms	-	-	2,135	(2,135)
Utilities	1,000	1,800	1,688	112
Total law enforcement and traffic control	<u>\$ 100,765</u>	<u>\$ 121,858</u>	<u>\$ 127,204</u>	<u>\$ (5,346)</u>
Fire and rescue services:				
Volunteer fire department	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 12,000</u>	<u>\$ 1,000</u>
Total fire and rescue services	<u>13,000</u>	<u>13,000</u>	<u>12,000</u>	<u>1,000</u>
Total public safety	<u>\$ 113,765</u>	<u>\$ 134,858</u>	<u>\$ 139,204</u>	<u>\$ (4,346)</u>
Public works:				
Fuel	\$ 2,500	\$ 2,500	\$ 3,280	\$ (780)
Insurance	4,200	4,200	4,200	-
Litter control	1,500	1,500	1,455	45
Maintenance and repairs	17,500	17,500	19,688	(2,188)
Materials and supplies	1,050	1,050	1,729	(679)
Miscellaneous	500	500	439	61
Personnel	142,025	155,935	153,633	2,302
Professional development	-	-	388	(388)
Refuse collection	85,000	85,000	84,869	131

Schedule of Expenditures - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2019

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Telecommunications	2,000	2,000	2,505	(505)
Town Hall	30,000	30,000	31,524	(1,524)
Uniforms and safety equipment	4,000	4,000	7,152	(3,152)
Utilities	26,500	26,500	21,668	4,832
Total public works	<u>\$ 316,775</u>	<u>\$ 330,685</u>	<u>\$ 332,530</u>	<u>\$ (1,845)</u>
Community development:				
Events coordinator	\$ 48,700	\$ 48,700	\$ 48,700	\$ -
Harvest festival	23,500	23,500	22,950	550
Miscellaneous	7,500	7,500	8,310	(810)
Other events	6,250	6,250	8,267	(2,017)
Wine fesitival	5,500	5,500	8,081	(2,581)
Total community development	<u>\$ 91,450</u>	<u>\$ 91,450</u>	<u>\$ 96,308</u>	<u>\$ (4,858)</u>
Debt service:				
Principal retirement	\$ 216,000	\$ 179,380	\$ -	\$ 179,380
Total debt service	<u>\$ 216,000</u>	<u>\$ 179,380</u>	<u>\$ -</u>	<u>\$ 179,380</u>
Total General Fund	<u>\$ 1,144,193</u>	<u>\$ 1,128,693</u>	<u>\$ 950,236</u>	<u>\$ 178,457</u>
Capital Projects Fund:				
Capital projects and capital outlays:				
General capital projects	\$ 50,000	\$ 60,000	\$ 26,483	\$ 33,517
Refinancing and USDA projects	-	7,851,000	-	7,851,000
USDA grant - police vehicles	-	25,000	25,000	-
Total capital projects and capital outlays	<u>\$ 50,000</u>	<u>\$ 7,936,000</u>	<u>\$ 51,483</u>	<u>\$ 7,884,517</u>
Total Capital Projects Fund	<u>\$ 50,000</u>	<u>\$ 7,936,000</u>	<u>\$ 51,483</u>	<u>\$ 7,884,517</u>
Total Primary Government	<u>\$ 1,194,193</u>	<u>\$ 9,064,693</u>	<u>\$ 1,001,719</u>	<u>\$ 8,062,974</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, 2019, 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 May 13, 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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. (2019-001)

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 questioned costs. 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
May 13, 2020



**Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Bowling Green, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Bowling Green, Virginia's major federal programs for the year ended June 30, 2019. Town of Bowling Green, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Bowling Green, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
May 13, 2020

TOWN OF BOWLING GREEN, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Department of Agriculture:</u>			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 6,367,643
<u>Community Facilities Loans and Grants Cluster</u>			
Community Facilities Loans and Grants	10.766	N/A	<u>50,000</u>
Total Department of Agriculture			<u>\$ 6,417,643</u>
Total expenditures of federal awards			<u>\$ 6,417,643</u>

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Bowling Green, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Bowling Green, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Bowling Green, Virginia.

Note 2 - Summary of Significant Accounting Policies:

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

(2) Pass-through entity identifying numbers are presented where available.

(3) The Town did not elect to use the 10% de minimis indirect cost rate.

(4) The Town did not pass any federal awards through to sub-recipients during the year ended June 30, 2019.

Note 3 - Relationship to Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:	
Capital Projects Fund:	
Community Facilities Loans and Grants	\$ 50,000
Water and Waste Disposal Systems for Rural Communities	
Proprietary Funds:	
Sewer Fund - Water and Waste Disposal Systems for Rural Communities	51,643
Sewer Fund - USDA Rural Development Loan Proceeds	4,732,175
Water Fund - USDA Rural Development Loan Proceeds	1,583,825
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 6,417,643</u>

TOWN OF BOWLING GREEN, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section .516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

2019-001: 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, Taxes Receivable, Deferred Inflows of Resources-Property Taxes, Capital Assets, Bonds Payable, Retainage Payable, Deferred Charge on Refunding, Due from other governments 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, 2019.

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. 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. The 2018 and 2019 audits were performed concurrently so recommendations were not able to be implemented for 2019. Financial staff are implementing additional procedures to review, analyze and prepare the various adjustments needed to comply with Generally Accepted Accounting

TOWN OF BOWLING GREEN, VIRGINIA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

2018-001: Material Audit Adjustment Proposed by the External Auditor - Material Weakness in Internal Controls

Status: A similar finding is reported in the 2019 findings and questioned costs.