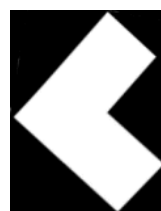


Town of Jarratt, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2019



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

Town of Jarratt, Virginia

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FINANCIAL SECTION



**Creedle
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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Jarratt, Virginia

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Jarratt, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Jarratt, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Jarratt, Virginia, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Jarratt, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Jarratt, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Jarratt, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Jarratt, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-7, 38-40, and 41-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the Town of Jarratt, 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 Jarratt, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jarratt, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
January 17, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Jarratt, Virginia presents the following discussion and analysis as an overview of the Town of Jarratt, Virginia's financial activities for the fiscal year ending June 30, 2019. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$388,988. Of this amount, \$292,522 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's governmental activities net position increased by \$53,894 during the current fiscal year.
- As of June 30, 2019, the Town's Governmental Funds reported combined ending fund balances of \$271,396.
- At the end of fiscal year 2019, the general fund unassigned fund balance was \$271,396, or approximately 100.31% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, and parks, recreation and cultural.

Fund Financial Statements

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

The Town has one type of fund:

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position :

Summary of Net Position

As of June 30, 2019

	Governmental Activities
Assets	
Current and other assets	\$ 300,566
Capital assets (net)	<u>199,695</u>
Total Assets	500,261
Deferred Outflows of Resources	
	<u>1,947</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 502,208</u>
Liabilities	
Current liabilities	\$ 2,526
Long-term liabilities	<u>103,229</u>
Total Liabilities	105,755
Deferred Inflows of Resources	
	7,465
Net Position	
Net investment in capital assets	96,466
Unrestricted	<u>292,522</u>
Total Net Position	<u>388,988</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 502,208</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Year Ended June 30, 2019

	Governmental Activities
Revenues	
Program Revenues	
Charges for services	\$ 21,234
Operating grants and contributions	14,029
General Revenues	
General property taxes, real and personal	92,477
Other taxes	109,645
Grants and contributions not restricted to specific programs	26,498
Unrestricted revenues from use of money and property	29,201
Miscellaneous	<u>3,644</u>
Total Revenues	296,728
Expenses	
General government administration	112,558
Public safety	36,334
Public works	86,741
Parks, recreation, and cultural	1,296
Debt service	<u>5,905</u>
Total Expenses	<u>242,834</u>
Increase in Net Position	53,894
Beginning Net Position	<u>335,094</u>
Ending Net Position	<u>\$ 388,988</u>

Governmental activities increased the Town's net position by \$53,894 for fiscal year 2019. Revenues from governmental activities totaled \$296,728. Other taxes comprise the largest source of these revenues, totaling \$109,645 or 36.95% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$242,834. General government administration was the Town's largest program with expenses totaling \$112,558 or 46.35% of all governmental activities expenses.

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

Net Cost of Governmental Activities

For the Fiscal Year Ended June 30, 2019

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 112,558	\$ (109,568)
Public safety	36,334	(26,334)
Public works	86,741	(64,468)
Parks, recreation, and cultural	1,296	(1,296)
Debt service	<u>5,905</u>	<u>(5,905)</u>
Total	<u>\$ 242,834</u>	<u>\$ (207,571)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$271,396.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$271,396. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 100.31% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Taxes	\$ 65,000	\$ 65,000	\$ 83,832
Other local taxes	75,000	75,000	109,645
Permits, fees and licenses	9,000	9,000	2,990
Use of money and property	65,188	65,188	29,201
Charges for services	20,920	20,920	21,234
Fines and forfeitures	500	500	-
Miscellaneous	4,290	4,290	3,644
Intergovernmental	<u>16,500</u>	<u>16,500</u>	<u>37,537</u>
Total Revenues	256,398	256,398	288,083
Expenditures			
	<u>276,488</u>	<u>276,488</u>	<u>270,557</u>
Excess (Deficiency) of Revenues Over Expenditures	(20,090)	(20,090)	17,526
Other Financing Sources (Uses)			
Prior year surplus	<u>20,090</u>	<u>20,090</u>	-
Total	<u>20,090</u>	<u>20,090</u>	-
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,526</u>

There were no budget amendments during the year.

Actual revenues were more than budget amounts by \$31,685, or 12.36%, while actual expenditures were \$5,931, or 2.15% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2019, the Town's governmental activities net capital assets total \$199,695, which represents a net increase of \$898 or 0.45% over the previous fiscal year-end balance, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land and land improvements	\$ 64,500	\$ -	\$ 64,500
Buildings and improvements	573,000	-	573,000
Vehicles and equipment	<u>55,182</u>	<u>17,900</u>	<u>73,082</u>
Total Capital Assets	692,682	17,900	710,582
Less: Accumulated depreciation and amortization	<u>(493,885)</u>	<u>(17,002)</u>	<u>(510,887)</u>
Total Capital Assets, Net	<u>\$ 198,797</u>	<u>\$ 898</u>	<u>\$ 199,695</u>

Long-Term Debt

As of June 30, 2019, the Town's long-term obligations total \$103,229.

	<u>Balance</u> <u>July 1, 2018</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental Activities			
Long-term debt	\$ 124,912	\$ (21,683)	<u>\$ 103,229</u>
Total Governmental Activities	<u>\$ 124,912</u>	<u>\$ (21,683)</u>	<u>\$ 103,229</u>

More detailed information on the Town's long-term obligations is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget.

The average unemployment rate for the Town of Jarratt, Virginia in June 2019, which uses Greensville County's rate, was 3%. This compares unfavorably to the state's rate of 2.7% and favorably to the national rate of 3.8%.

The estimate in 2019 by the University of Virginia Weldon Cooper Center is a population of 572.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2020, which accounts for most of the Town's operational costs. The fiscal year 2020 adopted budget anticipates General Fund revenues and expenditures to be \$244,682, an 11.50% decrease over the fiscal year 2019 final budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Mayor, Town of Jarratt, Virginia, P.O. Box 336, 108 South Braxton Avenue, Jarratt, Virginia 23867, telephone 434-535-8865.

BASIC FINANCIAL STATEMENTS

Town of Jarratt, Virginia

Statement of Net Position

At June 30, 2019

	Primary Government
	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 273,922
Taxes receivable	<u>8,645</u>
Total Current Assets	282,567
Capital Assets	
Land	64,500
Other capital assets, net of accumulated depreciation	<u>135,195</u>
Capital Assets, Net	199,695
Other Assets	
Net pension asset	<u>17,999</u>
Total Other Assets	<u>17,999</u>
Total Assets	500,261
Deferred Outflows of Resources	
Pension	<u>1,947</u>
Total Deferred Outflows of Resources	<u>1,947</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 502,208</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	<u>\$ 2,526</u>
Total Current Liabilities	2,526
Long-Term Liabilities	
<i>Due in less than one year</i>	
Bonds, loans, and other	22,956
<i>Due in more than one year</i>	
Bonds, loans, and other	<u>80,273</u>
Total Long-Term Liabilities	<u>103,229</u>
Total Liabilities	105,755
Deferred Inflows of Resources	
Pension	<u>7,465</u>
Total Deferred Inflows of Resources	7,465
Net Position	
Net investment in capital assets	96,466
Unrestricted	<u>292,522</u>
Total Net Position	<u>388,988</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 502,208</u>

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

Town of Jarratt, Virginia

Statement of Activities

For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Total</u>
Primary Government					
Governmental Activities					
General government administration	\$ 112,558	\$ -	\$ 2,990	\$ (109,568)	\$ (109,568)
Public safety	36,334	-	10,000	(26,334)	(26,334)
Public works	86,741	21,234	1,039	(64,468)	(64,468)
Parks, recreation, and cultural	1,296	-	-	(1,296)	(1,296)
Debt service	5,905	-	-	(5,905)	(5,905)
Total Governmental Activities	<u>242,834</u>	<u>21,234</u>	<u>14,029</u>	<u>(207,571)</u>	<u>(207,571)</u>
Total Primary Government	<u>\$ 242,834</u>	<u>\$ 21,234</u>	<u>\$ 14,029</u>		(207,571)
General Revenues					
Taxes					
General property taxes, real and personal				92,477	92,477
Other local taxes				109,645	109,645
Grants and contributions not restricted to specific programs				26,498	26,498
Unrestricted revenues from use of money and property				29,201	29,201
Miscellaneous				3,644	3,644
Transfers				-	-
Total General Revenues and Transfers				<u>261,465</u>	<u>261,465</u>
Change in Net Position				53,894	53,894
Net Position - Beginning of Year				<u>335,094</u>	<u>335,094</u>
Net Position - End of Year				<u>\$ 388,988</u>	<u>\$ 388,988</u>

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

Town of Jarratt, Virginia

Balance Sheet

Governmental Funds

At June 30, 2019

	General Fund
Assets	
Cash and cash equivalents	\$ 273,922
Property taxes receivable	<u>8,645</u>
Total Assets	<u>\$ 282,567</u>
Liabilities	
Accounts payable	\$ 1,284
Accrued liabilities	<u>1,242</u>
Total Liabilities	2,526
Deferred Inflows of Resources	
Unavailable revenue - property taxes	<u>8,645</u>
Total Deferred Inflows of Resources	8,645
Fund Balance	
Unassigned	<u>271,396</u>
Total Fund Balance	<u>271,396</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 282,567</u>

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

Town of Jarratt, Virginia

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

At June 30, 2019

Total Fund Balances for Governmental Funds		\$ 271,396
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 64,500	
Buildings and improvements, net of accumulated depreciation	119,420	
Vehicles and equipment, net of accumulated depreciation	<u>15,775</u>	
Total Capital Assets		199,695
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue, taxes		8,645
Deferred outflows and inflows of resources related to pensions liabilities applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,947	
Deferred inflows of resources related to pensions	<u>(7,465)</u>	
Total Deferred Outflows and Inflows of Resources		(5,518)
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds and notes payable	(103,229)	
VRS pension asset	<u>17,999</u>	
Total		<u>(85,230)</u>
Total Net Position of Governmental Activities		<u>\$ 388,988</u>

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

Town of Jarratt, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

	General Fund
Revenues	
Property taxes	\$ 83,832
Other local taxes	109,645
Permits, fees and licenses	2,990
Use of money and property	29,201
Charges for services	21,234
Miscellaneous	3,644
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	<u>37,537</u>
Total Revenues	288,083
Expenditures	
General government administration	116,133
Public safety	36,334
Public works	89,206
Parks, recreation, and cultural	1,296
Debt service	<u>27,588</u>
Total Expenditures	<u>270,557</u>
Excess (Deficiency) of Revenues Over Expenditures	17,526
Other Financing Sources (Uses)	
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	17,526
Fund Balance - Beginning of Year	<u>253,870</u>
Fund Balance - End of Year	<u>\$ 271,396</u>

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

Town of Jarratt, Virginia

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

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 17,526

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalized assets	\$ 17,900	
Depreciation	<u>(17,001)</u>	899

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statement but recognized in the Statement of Activities. 8,645

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:

Net pension asset	3,532	
Deferred inflows - pension	10,535	
Deferred outflows - pension	<u>(8,926)</u>	
Net Adjustment		5,141

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

Repayments on debt		<u>21,683</u>
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Change in Net Position of Governmental Activities \$ 53,894

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

Town of Jarratt, Virginia

Notes to the Financial Statements

Year Ended June 30, 2019

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Jarratt, Virginia (the "Town") is a political subdivision of the Commonwealth of Virginia operating under the Mayor-Council form of government. The elected Mayor and a six-member Town Council are vested with legislative powers, and form the executive and administrative head of the Town's government.

The Town of Jarratt, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, and parks, recreation, and cultural.

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

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Jarratt, Virginia (the primary government).

1-B. Financial Reporting Model

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

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

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government; as such, individual funds are not displayed.

The Statement of Net Position is designed to display the financial position of the Primary Government. In addition to reporting current assets and deferred outflows of resources and liabilities and deferred inflows of resources, the Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the Town (such as capital assets and long-term liabilities for various employee benefits).

The Net Position of the Town may be presented in three categories – (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The Town generally first uses restricted resources for expenses incurred for which both restricted and unrestricted Net Position is available.

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

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

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

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

Major individual governmental funds, if any, are reported in separate columns.

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

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

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

1-C. Financial Statement Presentation

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

- *Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town’s major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. The Town has no Special Revenue Funds at this time.
 - *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Town has no Capital Projects funds at this time.
- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. The Town has no proprietary funds at this time.

- *Fiduciary Funds (Custodial Funds)* – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no fiduciary funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which the general fund utilizes. All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

1-E-2 Investments

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

State statutes which, in general, allow the Town to invest in obligations of the United States or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), or in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service.

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Management deems that no allowance amount is necessary at this time.

Real and Personal Property Tax Data

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

Real Property Personal Property

Due Date	January 1	January 1
----------	-----------	-----------

The Town bills and collects its own property taxes.

A ten percent penalty is levied on all taxes not collected on or before March 16 for personal property and May 1 for real estate.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and structures	40 years
Vehicles and equipment	5 to 7 years

1-E-6 Deferred Outflows/Inflows of Resources

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

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

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

1-E-7 Pensions

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

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-8 Fund Equity

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

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

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

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

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

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

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

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

1-E-9 Long-Term Obligations

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

1-E-10 Adoption of New GASB Statements

The Town adopted the following GASB statement:

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for the fiscal year ending June 30, 2019 for the Town.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. In April of every year, the Budget Committee meets to discuss and produce the upcoming budget, and submits to the Town Council a proposed operating budget for the fiscal year commencing July 1.
2. The proposed budget is advertised per the Code of Virginia and a public hearing is conducted to obtain citizen comments.
3. The proposed budget is adopted as prescribed in §15.2-2503 of the Code of Virginia.

Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations .

Fund Deficits

There were no fund deficits as of June 30, 2019.

3 Deposits and Investments

Deposits

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

Investments

Town policy for eligible investments are governed by State statutes which, in general, allow the Town to invest in obligations of the United States or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), or in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it is earned.

The Town does not have a formal investment policy.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have custodial credit risk policies for investments.

Interest Rate Risk

This is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure.

The following is a summary of cash and investments :

<u>Asset Type</u>	<u>Carrying Amount</u>
Deposit accounts	\$ 239,365
Certificates of deposit	<u>34,557</u>
Total Cash and Cash Equivalents	<u>\$ 273,922</u>

The following is a summary and reconciliation of the cash and cash equivalents at June 30, 2019:

Primary Government	Governmental Activities
Cash and cash equivalents	\$ 273,922
Total	<u>\$ 273,922</u>

4 Receivables

Receivables at June 30, 2019 consist of the following:

Primary Government	Governmental Activities
Property taxes	\$ 8,645
Total Receivables	<u>\$ 8,645</u>

5 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 64,500	\$ -	\$ -	<u>\$ 64,500</u>
Total Capital Assets Not Being Depreciated	64,500	-	-	64,500
Other Capital Assets				
Buildings and improvements	573,000	-	-	573,000
Vehicles and equipment	<u>55,182</u>	<u>17,900</u>	-	<u>73,082</u>
Total Other Capital Assets	628,182	17,900	-	646,082
Less: Accumulated depreciation for				
Buildings and improvements	439,255	14,325	-	453,580
Vehicles and equipment	<u>54,630</u>	<u>2,677</u>	-	<u>57,307</u>
Total Accumulated Depreciation	<u>493,885</u>	<u>17,002</u>	-	<u>510,887</u>
Other Capital Assets, Net	<u>134,297</u>	<u>898</u>	-	<u>135,195</u>
Net Capital Assets	<u>\$ 198,797</u>	<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 199,695</u>

Depreciation expense was allocated as follows:

General government administration	\$ 14,325
Public works	<u>2,677</u>
	<u>\$ 17,002</u>

6 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 22,956	\$ 4,732
2021	24,130	3,457
2022	26,365	2,223
2023	<u>29,778</u>	<u>927</u>
	<u>\$ 103,229</u>	<u>\$ 11,339</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town for the year ended June 30, 2019:

	<u>Balance July 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
<i>Berkadia Commercial Mortgage, LLC</i>					
Water Bond Series 1983 issued for 40 years for \$472,000 with monthly installments of \$2,299. Interest payable annually at 5 percent. Matures June 2023.	\$ 124,912	\$ -	\$ 21,683	\$ 103,229	\$ 22,956
Total Governmental Activities	<u>124,912</u>	<u>-</u>	<u>21,683</u>	<u>103,229</u>	<u>22,956</u>
Total Primary Government	<u>\$ 124,912</u>	<u>\$ -</u>	<u>\$ 21,683</u>	<u>\$ 103,229</u>	<u>\$ 22,956</u>

7 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2019 is determined as follows:

	<u>Governmental Activities</u>
Net Investment in Capital Assets	
Cost of capital assets	\$ 710,582
Less: Accumulated depreciation	<u>(510,887)</u>
Book value	199,695
Less: Capital related debt	<u>(103,229)</u>
Net Investment in Capital Assets	<u>\$ 96,466</u>

8 Deferred Inflows of Resources

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

	Primary Government - General Fund
Delinquent taxes not collected within 60 days	\$ <u>8,645</u>

9 Commitments and Contingencies

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

10 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 or pending matters not be favorable to such entities.

11 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$ <u>33,846,800</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 3,384,680
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>103,229</u>
Legal Debt Margin - June 30, 2019	\$ <u>3,281,451</u>

12 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

**HYBRID
RETIREMENT PLAN**

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

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

Creditable Service

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

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

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

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

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

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

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:
Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:
Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
LTD	0
Inactive members active elsewhere in VRS	-
Total inactive members	0
Active members	<u>3</u>
Total covered employees	<u>5</u>

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 4.07% 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 employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,947 and \$2,873 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 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 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, 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:

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:

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision 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 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, 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:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate 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. From July 1, 2018 on, participating employers 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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 198,857	\$ 213,323	\$ (14,466)
Changes for the Year			
Service cost	7,677	-	7,677
Interest	13,552	-	13,552
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(2,605)	-	(2,605)
Contributions - employer	-	2,873	(2,873)
Contributions - employee	-	3,732	(3,732)
Net investment income	-	15,702	(15,702)
Benefit payments, including refunds	(10,508)	(10,508)	-
Administrative expenses	-	(136)	136
Other changes	-	(14)	14
Net Changes	<u>8,116</u>	<u>11,649</u>	<u>(3,533)</u>
Balances at June 30, 2018	<u>\$ 206,973</u>	<u>\$ 224,972</u>	<u>\$ (17,999)</u>

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's Net Pension Liability	\$ 3,218	\$ (17,999)	\$ (36,364)

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$(3,328). At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,792
Change in assumptions	-	940
Net difference between projected and actual earnings on pension plan investments	-	1,733
Employer contributions subsequent to the measurement date	<u>1,947</u>	<u>-</u>
Total	<u>\$ 1,947</u>	<u>\$ 7,465</u>

\$1,947 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended
June 30.**

2020	\$ (3,012)
2021	(1,424)
2022	(2,825)
2023	(204)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Annual Comprehensive Financial Report (ACFR). A copy of the 2018 VRS ACFR may be downloaded from the VRS website at 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.

13 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through January 17, 2023.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Jarratt, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
General Fund				
Revenues				
General Property Taxes				
Real estate taxes	\$ 45,000	\$ 45,000	\$ 52,664	\$ 7,664
Personal property taxes	20,000	20,000	29,770	9,770
Interest and penalties	-	-	1,398	1,398
Total General Property Taxes	<u>65,000</u>	<u>65,000</u>	<u>83,832</u>	<u>18,832</u>
Other Local Taxes				
Local sales and use taxes	25,000	25,000	58,230	33,230
Bank franchise tax	11,000	11,000	14,971	3,971
Utility tax	12,000	12,000	13,218	1,218
Meals tax	27,000	27,000	23,226	(3,774)
Total Other Local Taxes	<u>75,000</u>	<u>75,000</u>	<u>109,645</u>	<u>34,645</u>
Permits, Privilege Fees and Regulatory Licenses				
Planning and zoning fees	-	-	175	175
Golf cart license fees	-	-	105	105
Business licenses	9,000	9,000	2,710	(6,290)
Total Revenue from Permits, Privilege Fees and Regulatory Licenses	<u>9,000</u>	<u>9,000</u>	<u>2,990</u>	<u>(6,010)</u>
Revenue from Use of Money and Property				
Rental income	49,188	49,188	28,288	(20,900)
Interest income	16,000	16,000	913	(15,087)
Total Revenue from Use of Money and Property	<u>65,188</u>	<u>65,188</u>	<u>29,201</u>	<u>(35,987)</u>
Charges for Services				
Garbage collection	20,920	20,920	21,234	314
Total Charges for Services	<u>20,920</u>	<u>20,920</u>	<u>21,234</u>	<u>314</u>
Fines and Forfeitures				
	500	500	-	(500)
Miscellaneous				
Miscellaneous and other refunds	4,290	4,290	3,644	(646)
Total Miscellaneous	<u>4,290</u>	<u>4,290</u>	<u>3,644</u>	<u>(646)</u>

Variance
With
Final Budget
Positive
(Negative)

Intergovernmental

Revenue from the Commonwealth of Virginia

Noncategorical Aid

Communications tax	-	-	3,978	3,978
Rolling stock tax	6,500	6,500	6,478	(22)
Car rental tax	-	-	34	34
Personal Property Tax Relief Act (PPTRA)	-	-	16,008	16,008
Total Noncategorical Aid	6,500	6,500	26,498	19,998

Categorical Aid

Litter Control grant	-	-	1,039	1,039
Fire program	10,000	10,000	10,000	-
Total Categorical Aid	10,000	10,000	11,039	1,039

Total Revenue from the Commonwealth of Virginia

16,500 16,500 37,537 21,037

Total Intergovernmental Revenue

16,500 16,500 37,537 21,037

Total Revenues

256,398 256,398 288,083 31,685

Expenditures

General Government Administration

Salaries and wages	40,800	40,800	19,708	21,092
Temporary employees	600	600	-	600
Insurance - liability and bonds	6,500	6,500	8,284	(1,784)
Fringe benefits	45,000	45,000	29,682	15,318
Travel	100	100	-	100
Dues	300	300	663	(363)
Office supplies and postage	1,900	1,900	1,092	808
Telephone	2,500	2,500	1,806	694
Election	-	-	836	(836)
Accounting and legal	10,000	10,000	4,095	5,905
Printing	4,000	4,000	3,621	379
Miscellaneous	5,600	5,600	6,911	(1,311)
Supplies	-	-	2,105	(2,105)
Utilities	3,200	3,200	2,232	968
Advertising	1,500	1,500	3,009	(1,509)
Restaurant expenses	-	-	14,189	(14,189)
Capital outlay	4,000	4,000	17,900	(13,900)
Total General Government Administration	126,000	126,000	116,133	9,867

Public Safety

Police Department Expenses

Enforcement expenses	8,500	8,500	2,984	5,516
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Fire Department Expenses

Commonwealth of Virginia Fire Fund	10,000	10,000	12,600	(2,600)
JVFD Donation	16,800	16,800	20,750	(3,950)
Total Fire Department	26,800	26,800	33,350	(6,550)

Total Public Safety

35,300 35,300 36,334 (1,034)

Variance
With
Final Budget
Positive
(Negative)

	Original Budget	Final Budget	Actual	
<i>Public Works</i>				
Salaries and wages	56,100	56,100	57,011	(911)
Insurance	2,500	2,500	11,377	(8,877)
Electricity and street lights	15,500	15,500	5,668	9,832
Gasoline and oil	5,000	5,000	6,261	(1,261)
Repairs and maintenance	7,000	7,000	8,889	(1,889)
Miscellaneous	500	500	-	500
Total Public Works	86,600	86,600	89,206	(2,606)
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	-	-	296	(296)
Donations	1,000	1,000	1,000	-
Total Parks, Recreation, and Cultural	1,000	1,000	1,296	(296)
<i>Debt Service</i>				
	27,588	27,588	27,588	-
Total Expenditures	276,488	276,488	270,557	5,931
Excess (Deficiency) of Revenues Over Expenditures	(20,090)	(20,090)	17,526	37,616
Other Financing Sources (Uses)				
Prior year surplus	20,090	20,090	-	(20,090)
Transfers in (out) other funds	-	-	-	-
Total Other Financing Sources (Uses)	20,090	20,090	-	(20,090)
Net Change in Fund Balance	\$ -	\$ -	17,526	\$ 17,526
Fund Balance - Beginning of Year			253,870	
Fund Balance - End of Year			\$ 271,396	

Town of Jarratt, Virginia

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

For the Plan Years Ended June 30, 2014-2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 7,677	\$ 7,645	\$ -	\$ -	\$ -
Interest	13,552	13,280	-	-	-
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(2,605)	(2,922)	-	-	-
Changes in assumptions	-	(2,264)	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(10,508)</u>	<u>(13,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	8,116	2,539	-	-	-
Total pension liability - beginning	<u>198,857</u>	<u>196,318</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total pension liability - ending (a)	<u>\$ 206,973</u>	<u>\$ 198,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position					
Contributions - employer	\$ 2,873	\$ 3,065	\$ -	\$ -	\$ -
Contributions - employee	3,732	3,732	-	-	-
Net investment income	15,702	23,502	-	-	-
Benefit Payments, including refunds of employee contributions	(10,508)	(13,200)	-	-	-
Administrative expense	(136)	(139)	-	-	-
Other	<u>(14)</u>	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	11,649	16,939	-	-	-
Plan fiduciary net position - beginning	<u>213,323</u>	<u>196,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 224,972</u>	<u>\$ 213,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Political subdivision's net pension liability - ending (a) - (b)	<u>\$ (17,999)</u>	<u>\$ (14,466)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability	-8.70%	-7.27%	0.00%	0.00%	0.00%
Covered payroll	\$ 87,490	\$ 89,190	n/a	n/a	n/a
Political subdivision's net pension liability as a percentage of covered payroll	-20.57%	-16.22%	0.00%	0.00%	0.00%

Town of Jarratt, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through 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	\$ 1,947	\$ 1,947	\$ -	\$ 47,837	4.07%
2018	2,873	2,873	-	87,490	3.28%
2017	3,065	3,065	-	89,190	3.44%
2016	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2017 is not available.

Town of Jarratt, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2019

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

COMPLIANCE SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
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*Members of
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council
Town of Jarratt, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Town of Jarratt, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Jarratt, Virginia's basic financial statements and have issued our report thereon dated January 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Jarratt, 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 Jarratt, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Jarratt, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

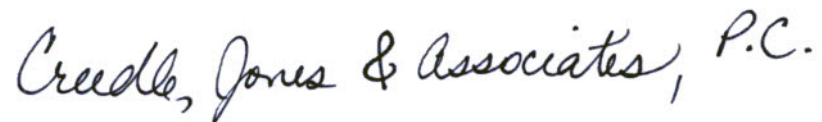
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

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

South Hill, Virginia
January 17, 2023