

TOWN OF SAINT PAUL, VIRGINIA

AUDIT REPORT

Year Ended June 30, 2018

TOWN OF SAINT PAUL, VIRGINIA
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June 30, 2018

TOWN COUNCIL:

H. Kyle Fletcher, Mayor
Kenneth Holbrook, Vice-Mayor
Tim Boardwine
Monty Salyer
Josh Sawyers
Greg Bailey
Harry Kelly

TOWN OFFICERS:

Debora Baca, Town Treasurer
Jonathan Johnson, Chief of Police

TOWN LEGAL COUNSEL:

Julie Hensley, Attorney at Law

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

**BRIAN K. BLANTON, C.P.A.
**CHARLES F. LAWSON, C.P.A.
**TAMARA R. GREER, C.P.A.

MONROE B. THROWER, C.P.A.
(1918-2000)

M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

Founded 1948

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Council
Town of Saint Paul, Virginia
Saint Paul, VA 24283

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Saint Paul, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Industrial Development Authority of the Town of St. Paul, Virginia, which represent 9.07 percent, 4.76 percent, and 1.37 percent, respectively, of the assets, net position, and revenues of the Town of St. Paul. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority of the Town of St. Paul, Virginia, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and certain supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019 on our consideration of the Town of Saint Paul's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.



THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
April 24, 2019

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

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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

The Honorable Members of the Town Council
Town of Saint Paul, Virginia
Saint Paul, VA 24283

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Saint Paul, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Saint Paul, Virginia's basic financial statements, and have issued our report thereon dated April 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2018, we considered the Town'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 Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of St. Paul, Virginia's financial statements are free of 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 statements 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*.

The Honorable Members of the Town Council
Town of Saint Paul, Virginia
Saint Paul, VA 24283
Page 2

*(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)*

We noted certain matters that we reported to management of the Town of St. Paul, Virginia, in a separate letter dated April 24, 2019.

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 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.

Thrower, Blanton & Associates, P.C.

THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
April 24, 2019

TOWN OF SAINT PAUL, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2018

As more fully described in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investments Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2018

EXHIBIT I

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 5,610,196	\$ 1,052,916	\$ 6,663,112	144,717
Receivables:				
Taxes	14,399	-	14,399	-
Accounts	34,009	146,752	180,761	-
Other	15,819	567	16,386	4,485,201
Internal Balances	130,278	(130,278)	-	-
Land and Improvements Held for Resale				373,659
Due from other governmental units	40,520	-	40,520	-
Prepaid expenses	21,535	11,119	32,654	-
Restricted Assets:				
Cash	58,695	165,865	224,560	75,000
Capital assets, depreciable, net	1,280,933	13,949,204	15,230,137	-
Capital assets, non-depreciable	333,800	1,439,380	1,773,180	157,384
TOTAL ASSETS	7,540,184	16,635,525	24,175,709	5,235,961
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows related to OPEB	2,773	1,133	3,906	-
Deferred Outflows related to Pensions	57,918	23,463	81,381	-
Total Deferred Outflows of Resources	60,691	24,596	85,287	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,600,875	\$ 16,660,121	\$ 24,260,996	\$ 5,235,961
LIABILITIES				
Accounts payable	\$ 89,206	\$ 447,569	\$ 536,775	\$ 1,550
Accrued liabilities and wages	19,863	5,817	25,680	-
Due to other Governments	-	-	-	-
Payable From Restricted Assets:				
Deposits	-	11,000	11,000	-
Matured revenue interest	952	8,264	9,216	13,125
OPEB Liability	95,367	45,743	141,110	-
Long-term liabilities				
Net pension liability	366,980	149,893	516,873	-
Due within one year	34,259	275,494	309,753	3,021,785
Due in more than one year	523,226	5,909,333	6,432,559	978,215
Compensated absences				
Due within one year	20,368	15,334	35,702	-
Due in more than one year	30,551	23,001	53,552	-
Total Liabilities	1,180,772	6,891,448	8,072,220	4,014,675
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows related to Pensions	50,635	20,683	71,318	-
Deferred Inflows related to OPEB	4,260	1,740	6,000	-
Dominion Diffuser Agreement Advance	-	1,503,846	1,503,846	-
Total Deferred Inflows of Resources	54,895	1,526,269	1,581,164	-
NET POSITION				
Net investment in capital assets	1,057,248	9,203,757	10,261,005	157,384
Restricted	58,695	-	58,695	-
Unrestricted	5,249,265	(961,353)	4,287,912	1,063,902
Total Net Position	\$ 6,365,208	\$ 8,242,404	\$ 14,607,612	\$ 1,221,286
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 7,600,875	\$ 16,660,121	\$ 24,260,996	\$ 5,235,961

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF ACTIVITIES
June 30, 2018

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Industrial Development Authority	
					Governmental Activities	Business-Type Activities		
Governmental Activities:								
General government	\$ 839,965	\$ -	\$ -	\$ 35,449	\$ (804,516)	\$ -	\$ (804,516)	-
Public safety	549,138	-	43,768	6,276	(499,094)	-	(499,094)	-
Public works	499,149	75	1,006	23,465	(474,603)	-	(474,603)	-
Parks, recreation, and cultural	220,177	26,067	-	-	(194,110)	-	(194,110)	-
Community development	726,906	-	-	-	(726,906)	-	(726,906)	-
Interest on long-term debt	1,704	-	-	-	(1,704)	-	(1,704)	-
Total Governmental Activities	2,837,039	26,142	44,774	65,190	(2,700,933)	-	(2,700,933)	-
Business-Type Activities:								
Enterprise	1,481,696	1,235,030	-	10,367	-	(236,299)	(236,299)	-
Total Business-Type Activities	1,481,696	1,235,030	-	10,367	-	(236,299)	(236,299)	-
TOTAL PRIMARY GOVERNMENT	\$ 4,318,735	\$ 1,261,172	\$ 44,774	\$ 75,557	\$ (2,700,933)	\$ (236,299)	\$ (2,937,232)	
COMPONENT UNIT:								
Industrial Development Authority	\$ 74,458	\$ -	\$ -	\$ 575,449	\$ -	\$ -	\$ -	\$ 500,991

General Revenues:							
Property taxes				2,509,434	-	2,509,434	-
Local sales & use tax				46,865	-	46,865	-
Utility tax				53,636	-	53,636	-
Business license tax				95,128	-	95,128	-
Lodging taxes				10,068	-	10,068	-
Motor vehicle license				30	-	30	-
Bank stock tax				38,680	-	38,680	-
Cigarette tax				18,739	-	18,739	-
Restaurant food tax				253,331	-	253,331	-
Coal road improvement tax				17,252	-	17,252	-
Unrestricted intergovernmental revenue				9,442	-	9,442	-
Unrestricted investment earnings				40,235	13,087	53,322	2,655
Rental of Town property				4,800	-	4,800	-
Gain on sale of assets				4,826	-	4,826	-
Recovered Costs				57,873	51,644	109,517	-
Transfers-Primary Government				(50,000)	50,000	-	-
Other				24,634	1,740	26,374	-
Total general revenues and transfers				3,134,973	116,471	3,251,444	2,655
Change in net position				434,040	(119,828)	314,212	503,646
NET POSITION - JULY 1, as restated				5,931,168	8,362,232	14,293,400	717,640
NET POSITION - JUNE 30				<u>\$ 6,365,208</u>	<u>\$ 8,242,404</u>	<u>\$ 14,607,612</u>	<u>\$ 1,221,286</u>

TOWN OF SAINT PAUL, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2018

EXHIBIT 3

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,607,497	\$ 2,699	\$ 5,610,196
Receivables:			
Taxes	14,399	-	14,399
Accounts	34,009	-	34,009
Other	15,819	-	15,819
Prepaid expenses	21,535	-	21,535
Due From other funds	132,278	-	132,278
Due from other governmental units	40,520	-	40,520
Restricted Assets:			
Cash	58,695	-	58,695
Total Assets	<u>\$ 5,924,752</u>	<u>\$ 2,699</u>	<u>\$ 5,927,451</u>
LIABILITIES			
Accounts payable	89,206	-	89,206
Accrued payroll and related liabilities	19,863	-	19,863
Due to Other Governments	-	-	-
Due to Other Funds	-	2,000	2,000
Total Liabilities	<u>109,069</u>	<u>2,000</u>	<u>111,069</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	13,626	-	13,626
Total Deferred Inflows of Resources	<u>13,626</u>	<u>-</u>	<u>13,626</u>
FUND BALANCES			
Non-Spendable	153,813	-	153,813
Restricted	58,695	-	58,695
Committed	17,535	699	18,234
Assigned	-	-	-
Unassigned	5,572,014	-	5,572,014
Total Fund Balances	<u>5,802,057</u>	<u>699</u>	<u>5,802,756</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 5,924,752</u>	<u>\$ 2,699</u>	<u>\$ 5,927,451</u>

TOWN OF SAINT PAUL, VIRGINIA
RECONCILIATION TO THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2018

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds **\$ 5,802,756**

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. 1,614,733

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 13,626

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable, net of premiums and discounts	-
Notes payable	(557,485)
Accrued liabilities and wages	0
Accrued interest payable	(952)
Capital leases payable	-
Compensated Absences	(50,919)

Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to other postemployment benefits	2,773
Deferred inflows of resources related to other postemployment benefits	(4,260)
Net other postemployment benefit liability	<u>(95,367)</u>

Financial statement elements related to pensions are applicable to future periods, and therefore, are not reported in the funds.

Deferred outflows of resources for 2018 employer contributions	50,565
Deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments	7,353
Deferred outflows (inflows) of resources for the net difference between projected and actual earnings on pension plan investments	(50,635)
Net pension liability	<u>(366,980)</u>

Net Position of Governmental Activities \$ 6,365,208

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2018

EXHIBIT 5

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES:			
General property taxes	\$ 2,516,669	\$ -	\$ 2,516,669
Other local taxes	533,729	-	533,729
Permits, privilege fees and regulatory licenses	2,045	-	2,045
Fines and forfeitures	5,645	-	5,645
Revenue from use of money and property	45,029	6	45,035
Charges for services	26,142	-	26,142
Miscellaneous	16,944	-	16,944
Recovered costs	-	-	-
Intergovernmental	119,406	-	119,406
Total Revenues	<u>3,265,609</u>	<u>6</u>	<u>3,265,615</u>
EXPENDITURES:			
Current:			
General government administration	846,859	-	846,859
Public safety	543,874	-	543,874
Public works	609,671	-	609,671
Parks, recreation and cultural	158,682	-	158,682
Community development	726,906	-	726,906
Debt Service:			-
Principle retirement	69,202	-	69,202
Interest	1,034	-	1,034
Total Expenditures	<u>2,956,228</u>	<u>-</u>	<u>2,956,228</u>
Excess (Deficiency) of Revenues Over Expenditures	309,381	6	309,387
OTHER FINANCING SOURCES (USES):			
Sale of property	4,826	-	4,826
Insurance recoveries	57,873	-	57,873
Loan proceeds	540,000	-	540,000
Transfers in (out)	(50,000)	-	(50,000)
Total Other Financing Sources (Uses)	552,699	-	552,699
Net Change in Fund Balance	862,080	6	862,086
FUND BALANCE AT JULY 1, as restated	<u>4,939,977</u>	<u>693</u>	<u>4,940,670</u>
FUND BALANCE AT JUNE 30	<u>\$ 5,802,057</u>	<u>\$ 699</u>	<u>\$ 5,802,756</u>

TOWN OF SAINT PAUL, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

EXHIBIT 6

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	\$ 862,086
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.	
Capital Outlay	253,225
Depreciation expense	<u>(225,463)</u>
	<u>27,762</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,235)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments:	
General obligation debt and notes	-
Capital lease	69,202
Proceeds from debt	(540,000)
Proceeds from capital lease	<u>-</u>
	<u>(470,798)</u>
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.	
Accrued interest	(670)
Compensated absences	(10,155)
Other post-employment benefits	<u>37,883</u>
	<u>27,058</u>
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
Employer pension contributions	49,886
Pension expense	<u>(54,719)</u>
	(4,833)
Change in Net Position of Governmental Activities	<u>434,040</u>

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

EXHIBIT 7

	Business-Type Activities Proprietary Funds
	Enterprise Operations
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,052,916
Receivables (Net of Allowance for Uncollectibles)	
Accounts	146,752
Accrued interest	567
Grant Receivable	-
Prepaid expenses	11,119
Internal receivables	-
Restricted Assets:	
Cash	165,865
Capital assets, non-depreciable	1,439,380
Capital assets, depreciable, net	<u>13,949,204</u>
TOTAL ASSETS	<u>16,765,803</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows related to OPEB	1,133
Deferred Outflows related to Pensions	<u>23,463</u>
Total Deferred Outflows of Resources	<u>24,596</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 16,790,399</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	447,569
Accrued wages and liabilities	5,817
Payable From Restricted Assets:	
Customer deposits	11,000
Accrued interest payable	8,264
Due to Other Funds	130,278
Internal payables	-
Revenue bond payable	275,494
Compensated absences	<u>15,334</u>
Total Current Liabilities	<u>893,756</u>
Noncurrent liabilities:	
Revenue bond payable	5,909,333
Net Pension Liability	149,893
OPEB Liability	45,743
Compensated absences	<u>23,001</u>
Total Noncurrent Liabilities	<u>6,127,970</u>
Total Liabilities	<u>7,021,726</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows related to OPEB	1,740
Deferred Inflows related to Pensions	20,683
Dominion Diffuser Agreement Advance	<u>1,503,846</u>
Total Deferred Inflows of Resources	<u>1,526,269</u>
<u>NET POSITION</u>	
Net investment in capital assets	9,203,757
Restricted	-
Unrestricted (deficit)	<u>(961,353)</u>
Total Net Position	<u>8,242,404</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 16,790,399</u></u>

TOWN OF SAINT PAUL, VIRGINIA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2018

EXHIBIT 8

	PROPRIETARY FUNDS
	Enterprise Operations
OPERATING REVENUES:	
Water rents	746,149
Sewer rents	358,744
Garbage services	79,660
Penalties	15,879
Other income	34,598
	<hr/>
Total Operating Revenues	1,235,030
	<hr/>
OPERATING EXPENSES:	
Personal services	335,988
Fringe benefits	147,131
Contractual services	16,166
Other charges	305,056
Depreciation and amortization	512,051
	<hr/>
Total Operating Expenses	1,316,392
	<hr/>
Operating Income (Loss)	(81,362)
	<hr/>
NON-OPERATING REVENUES (EXPENSES) :	
Connection fees	1,740
Grant revenue	10,367
Intermunicipal Agreements	51,644
Interfund Transfer	50,000
Interest income	13,087
Interest expense	(165,304)
	<hr/>
Total Non-Operating Revenue (Expenses)	(38,466)
	<hr/>
CHANGE IN NET POSITION	(119,828)
	<hr/>
NET POSITION AT JULY 1, as restated	8,362,232
	<hr/>
NET POSITION AT JUNE 30	<u><u>\$ 8,242,404</u></u>

TOWN OF SAINT PAUL, VIRGINIA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2018

EXHIBIT 9

	PROPRIETARY FUNDS Enterprise Operations
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,210,325
Cash payments to suppliers for goods and services	(347,762)
Cash payments to employees for services	(537,190)
Other operating income	34,598
NET CASH PROVIDED BY OPERATING ACTIVITIES	359,971
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Increase (decrease) in customer deposits	400
(Increase) decrease in due from other funds	-
Increase (decrease) in due to other funds	28,000
Operating transfers from other funds	50,000
Operating transfers to other funds	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	78,400
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
(Increase) decrease in capital assets	(191,930)
(Increase) decrease in construction in progress	(610,025)
Principal paid on revenue bond maturities and equipment contracts	(267,271)
Principal advances from bond and note proceeds	721,688
Intermunicipal funding	51,644
Contributed capital - Grant revenue	10,367
Connection fees collected	1,740
Interest paid on revenue bonds and equipment contracts	(163,065)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(446,852)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	13,081
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,081
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,600
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,214,181
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,218,781
Cash and Cash Equivalents at June 30, 2018	
Unrestricted	\$ 1,052,916
Restricted	165,865
	\$ 1,218,781
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (81,362)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	512,051
Provision for compensated absences	2,018
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	9,893
(Increase) decrease in prepaid expenses	(11,119)
(Increase) decrease in deferred outflows	23,322
Increase (decrease) in accounts payable	(24,156)
Increase (decrease) in Net Pension Liability	(42,968)
Increase (decrease) in OPEB liability	(20,462)
Increase (decrease) in deferred inflow of resources	(10,269)
Increase (decrease) in wages payable and payroll liabilities	3,023
TOTAL ADJUSTMENTS	441,333
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 359,971

Disclosure of Accounting Policy - For purposes of the statement of cash flows, the water and sewer fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**TOWN OF SAINT PAUL, VIRGINIA
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
Year Ended June 30, 2018**

EXHIBIT 10

	<u>Agency Fund</u>
 <u>ASSETS</u>	
Cash	\$ 1,032
Capital asset, depreciable, net	2,137
TOTAL ASSETS	<u>3,169</u>
 <u>NET POSITION</u>	
Funds held for Johnnie Ramy Memorial Fund	<u>\$ 3,169</u>

TOWN OF SAINT PAUL, VIRGINIA
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018

EXHIBIT 11

	<u>Agency Fund</u>
Additions	
Donations	\$ 1
Interest income	<u> 2</u>
Total additions	<u> 3</u>
 Deductions	
Operating deductions	<u> -</u>
Total deductions	<u> -</u>
 Change in net position	 3
 Net position - beginning of year	 <u> 3,166</u>
 Net position - end of year	 <u><u> \$ 3,169</u></u>

TOWN OF SAINT PAUL, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT-INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2018

EXHIBIT 12

ASSETS

Cash and cash equivalents	\$ 144,717
Due from Other Governmental Units	-
Due from Others	618
Land and Improvements Held for Resale	373,659
Restricted Cash	75,000
Notes Receivable	4,484,583
Capital assets, net	<u>157,384</u>
Total Assets	<u>\$ 5,235,961</u>

LIABILITIES

Accounts payable	\$ 1,550
Notes Payable	4,000,000
Interest Payable	<u>13,125</u>
Total Liabilities	<u>4,014,675</u>

Net Position

Net Investment in Capital Assets	157,384
Unrestricted	<u>1,063,902</u>
Total Net Position	<u>\$ 1,221,286</u>

TOWN OF SAINT PAUL, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT-INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET REVENUE, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2018

EXHIBIT 13

	<u>Total</u>
REVENUES:	
Property sales	\$ -
Cost of Property sold	-
Total Operating Revenues	<u>-</u>
EXPENDITURES:	
Easements	-
Consulting	-
Staff Expense	1,800
Donations	1,550
Contributions-Other	47,906
Board Expense	770
Insurance	3,137
Engineering & Surveying	-
Legal and Accounting	5,450
Forgiveness of Debt	5,000
Property Improvements Expense	271
Depreciation Expense	4,787
Travel	805
Office Expense	172
Meals	-
Rental Expense	530
Dues & Fees	210
Advertising & Promotions	2,011
Miscellaneous	59
Origination Fee	-
Total Expenditures	<u>74,458</u>
Operating (Loss) Income	(74,458)
NON-OPERATING REVENUES (EXPENSES) :	
Contribution Income	575,449
Interest Income-Investments	2,655
Interest Income-Note Receivable	-
Total Non-Operating Revenue (Expenses)	<u>578,104</u>
CHANGE IN NET POSITION	503,646
NET POSITION AT JULY 1	<u>717,640</u>
NET POSITION AT JUNE 30	<u><u>\$ 1,221,286</u></u>

June 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The Town of Saint Paul, Virginia is a municipality governed by an elected seven-member council. The reporting entity of the Town has been determined in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. In addition, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. As required by those principles, these financial statements present the Town of Saint Paul, Virginia (the primary government).

Individual Component Unit Disclosures

Discretely Presented Component Unit

Component Units are legally separate organizations for which the elected or appointed officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and is able to impose its will on that organization.

Based on the foregoing criteria, the financial activities of the Industrial Development Authority of the Town of St. Paul, Virginia are included in these financial statements as a discretely presented Component Unit. The Industrial Development Authority's financial statements may be obtained by contacting the Authority at P.O. Box 1262 St. Paul, Virginia 24283.

Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement) which established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) This requirement permits an optional delay for implementation to the fiscal year ending in 2008. The Town implemented the basic model in fiscal year 2004 and completed the implementation of the infrastructure-related portion of the Statement in fiscal year 2008.

Government-wide and Fund Financial Statements

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

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

June 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

The special revenue fund accounts for the operations of the Veteran's Memorial Wall Fund.

The Town reports the following major proprietary funds:

The *water and sewer operation fund* provides drinking water, maintains the facilities necessary to provide this service, and provides maintenance to the sewer lines and pump stations. Its primary revenue source is user charges and fees.

The proprietary fund also includes garbage operations with revenue source of user charges and fees.

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds.

Governmental Funds

Governmental Funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month 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 expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies.

June 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Proprietary Funds

The accrual basis of accounting is used for the Water, Sewer, and Garbage Enterprise Fund and the discretely presented component unit, Industrial Development Authority. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Fiduciary Funds

Agency Funds utilize the modified accrual basis of accounting.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. When both restricted and unrestricted resources are available for use, it is the Town's policy to use unrestricted resources first, then restricted resources as they are needed.

Budgeting and Budgetary Accounting

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

1. The Town Treasurer submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a cash basis, but variances from modified accrual basis budgets are not considered to be material.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2018.

June 30, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

Encumbrances and Commitments

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Generally, all unencumbered appropriations lapse at year end, except those for capital projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Open encumbrances at fiscal year end are included in restricted, committed, or assigned fund balance, as appropriate.

Deposits and Investments

Certificates of Deposit with maturities of three months or greater are recorded on Exhibit 1 under the title Cash and cash equivalents and treated as cash equivalents. No investments existed as of June 30, 2018.

Interfund Receivables and Payables

Activity between the funds is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are referred to as either "due to/from other funds" (i.e. current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Fair Value Measurement

The Town categorized the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Town does not have any investments at June 30, 2018 that are measured using Level 1, 2, or 3 inputs.

Capital Assets

All capital assets are valued at cost or estimated cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized. Depreciation for fixed assets has been provided over the following estimated useful lives using the Straight-Line Method:

	<u>All Funds</u>
Water/Sewer System	40
Buildings	30-40
Improvements other than buildings	30-40
Equipment	3-10

Cash Equivalents

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Town has a policy to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

Long-term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

Beginning with the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Non-spendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

June 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balances (Continued)

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets- consist of historical cost of capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, constructions or improvement of those assets.
- Restricted-consist of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted-all other net position is reported in this category

Pensions

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

Deferred Outflows/Inflows of Resources

The Town reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as a n inflow of resources (revenue) until a future period.

Employer pension and other postemployment benefit contributions made after the net pension and OPEB liability measurement date of June 30, 2017 and prior to the reporting date of June 30, 2018, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2018. This will be applied to the net pension liability in the next fiscal year.

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2017 have been reported as a deferred inflow of resources. This difference will be recognized in pension expense over a closed five-year period.

The Town additionally reports unavailable/unearned revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not yet complete. These amounts are deferred and recognized as an inflow of resources in the period they become available.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Other Postemployment Benefits (OPEB)

Local Health

The Town's local health insurance OPEB plan is a single-employer defined benefit OPEB plan administered by the Town. No assets are accumulated in a trust that meets the criteria under the provisions of Governmental Accounting Standards Board (GASB) Statement 75.

Group Life Insurance

The VRS Group Life Insurance Program is a multiple employer, cost sharing plan. It provided coverage to state employees, teacher, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

2. **ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$24,063 at June 30, 2018, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 1,600
Total General Fund	\$ 1,600
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	\$ 22,463
Total Water and Sewer Fund	\$ 22,463

3. **DEPOSITS AND INVESTMENTS**

Deposits

All cash of the Town and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable laws, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency Securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Pool (the Virginia LGIP, a 2a-7 like pool).

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

3. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

Miner's Exchange	20%
First Bank & Trust	18%
Carter Bank	57%

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2018, all of the Town's investments are held in a bank's trust department in the Town's name.

The above items are reflected in the financial statements as follows:

Deposits and investments:

Cash on hand	\$ 498
Deposits	1,750,219
Investments	<u>5,136,955</u>
	<u>\$ 6,887,672</u>

Statement of net position:

Cash and cash equivalents	\$6,663,112
Investments	-
Restricted cash and cash equivalents	<u>224,560</u>
	<u>\$6,887,672</u>

Restricted cash and cash equivalents consist primarily of certificates of deposit.

4. DUE FROM OTHER GOVERNMENTAL UNITS

Federal Government:

Virginia Department of Transportation \$ 24,459

Total Federal Government \$ 24,459

Commonwealth of Virginia:

Local sales tax \$ 10,986

Total Commonwealth of Virginia 10,986

Wise and Russell Counties:

Coal haul road taxes \$ 4,995

Court fines/transfer fees 80

Total Wise County 5,075

Total Due From Other Governmental Units \$ 40,520

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

5. PROPERTY TAXES RECEIVABLE

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable on December 5th. The Town of Saint Paul bills and collects its own property taxes.

6. INTERFUND OBLIGATIONS

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water/Sewer Fund	\$ 130,278	-
Veteran's Memorial Fund	2,000	-
Water/Sewer Fund:		
General Fund	-	130,278
Veteran's Memorial Fund:		
General Fund	-	2,000
Totals	<u>\$ 132,278</u>	<u>\$ 132,278</u>

7. CAPITAL ASSETS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 12,614
Public safety	31,707
Public works	73,098
Parks, recreation and cultural	80,092
Community Development	24,702
Special Revenue Fund	<u>3,250</u>
Total depreciation expense – governmental activities	<u>\$ 225,463</u>
Business-type activities:	
Water and sewer	<u>\$ 512,051</u>
Total depreciation expense – business-type activity	<u>\$ 512,051</u>

8. CHANGES IN CAPITAL ASSETS

The following is a summary of changes in depreciable capital assets:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, depreciable				
Buildings and improvements	\$1,805,135	\$ 35,363	\$ -	\$1,840,498
Equipment	1,401,406	185,255	-	1,586,661
Special Revenue Fund	<u>30,055</u>	<u>-</u>	<u>-</u>	<u>30,055</u>
Total Capital Assets, depreciable	<u>3,236,596</u>	<u>220,618</u>	<u>-</u>	<u>3,457,214</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 957,850	\$ 86,005	\$ -	\$1,043,855
Equipment	973,069	136,208	-	1,109,277
Special Revenue Fund	<u>19,899</u>	<u>3,250</u>	<u>-</u>	<u>23,149</u>
Total accumulated depreciation	<u>1,950,818</u>	<u>225,463</u>	<u>-</u>	<u>2,176,281</u>
Total Capital Assets, depreciable, net	<u>\$1,285,778</u>	<u>\$ (4,845)</u>	<u>\$ -</u>	<u>\$1,280,933</u>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

8. **CHANGES IN CAPITAL ASSETS (Continued)**

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings	\$ 868,724	\$ -	\$ -	\$ 868,724
Improvements	17,083,441	156,030	-	17,239,471
Equipment	<u>1,073,983</u>	<u>35,900</u>	<u>-</u>	<u>1,109,883</u>
Total Capital Assets, depreciable	<u>19,026,148</u>	<u>191,930</u>	<u>-</u>	<u>19,218,078</u>
Less accumulated depreciation for				
Buildings	\$ 853,514	\$ 406	\$ -	\$ 853,920
Improvements	3,206,384	451,606	-	3,657,990
Equipment	<u>696,925</u>	<u>60,039</u>	<u>-</u>	<u>756,964</u>
Total accumulated depreciation	<u>4,756,823</u>	<u>512,051</u>	<u>-</u>	<u>5,268,874</u>
Total Capital Assets, depreciable, net	<u>\$14,269,325</u>	<u>\$ (320,121)</u>	<u>\$ -</u>	<u>\$13,949,204</u>

The following is a summary of changes in non-depreciable capital assets:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 158,300	\$ 7,500	\$ -	\$ 165,800
Construction in progress	<u>54,619</u>	<u>113,381</u>	<u>-</u>	<u>168,000</u>
Total Capital Assets, Non-depreciable	<u>\$ 212,919</u>	<u>\$ 120,881</u>	<u>\$ -</u>	<u>\$ 333,800</u>

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 92,500	\$ -	\$ -	\$ 92,500
Constructions in progress	<u>736,855</u>	<u>845,066</u>	<u>(235,041)</u>	<u>1,346,880</u>
Total Capital Assets, Non-depreciable	<u>\$ 829,355</u>	<u>\$ 845,066</u>	<u>\$ (235,041)</u>	<u>\$1,439,380</u>

9. **CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES**
PRIMARY GOVERNMENT

Town employees earn general leave at the rate of 1 ¼ days to 2 ¼ day per month depending on length of service. The maximum leave carryover can be no more than 120 days. The Town has outstanding accrued vacation pay totaling \$50,919 in the General Fund and \$38,335 in the Water and Sewer Fund.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. FUND BALANCES—GOVERNMENTAL FUNDS

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:			
Due from other funds	\$ 153,813	\$ —	\$ 153,813
Restricted:			
Parks & Recreation	58,695	—	58,695
Committed:			
Lake Estonoa	17,535	—	17,535
General Administrative	—	—	—
Community Development	—	699	699
Assigned:	—	—	—
Unassigned	5,572,014	—	5,572,014
Total fund balances	\$ 5,802,057	\$ 699	\$ 5,802,756

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the finance committee has provided otherwise in its commitment or assignment actions.

11. DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

The Town has deferred inflows comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$13,626 at June 30, 2018.

Deferred Dominion Diffuser Agreement

Deferred revenue comprised of an advance receipt in 2013 from Dominion Resources toward future use of a Diffuser. The prepayment is being amortized over a 51-year period (the length of the service period) at a rate of \$32,692 per year. The total remaining unamortized at June 30, 2018 was \$1,503,846.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. LONG-TERM DEBT

The annual requirements to amortize proprietary debt outstanding as of June 30, 2018, are as follows:

BUSINESS TYPE ACTIVITIES

Year Ending June 30,	Water & Sewer Bond		Water & Sewer Bond		Water & Sewer Bond		Water & Sewer Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 12,309	\$ -	\$ 1,827	\$ -	\$ 162,390	\$ 68,024	6,651	\$ -
2020	12,309	-	1,827	-	167,579	62,834	6,651	-
2021	12,309	-	1,827	-	172,935	57,478	6,651	-
2022	12,309	-	1,827	-	178,462	51,952	6,651	-
2023	12,309	-	1,827	-	184,165	46,248	6,651	-
2024-2028	61,545	-	9,134	-	1,012,965	139,103	33,256	-
2029-2033	55,392	-	9,133	-	354,946	9,333	33,256	-
2034-2038	-	-	-	-	-	-	33,256	-
2039-2043	-	-	-	-	-	-	16,630	-
2044-2048	-	-	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-	-	-
2054-2058	-	-	-	-	-	-	-	-
Total	\$ 178,482	\$ -	\$ 27,402	\$ -	\$ 2,233,442	\$ 434,972	\$ 149,653	\$ -

Year Ending June 30,	Water & Sewer Loan		Sewer Bond		Sewer Bond		Water & Sewer Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 57,047	\$ 39,543	\$ 4,799	\$ 5,605	\$ 30,471	\$ 43,377	\$ -	\$ 11,192
2020	59,816	36,773	4,902	5,502	31,242	42,606	721,688	8,736
2021	62,720	33,869	5,007	5,397	32,032	41,816	-	-
2022	65,765	30,825	5,114	5,290	32,842	41,006	-	-
2023	68,289	29,682	5,224	5,180	33,672	40,176	-	-
2024-2028	394,045	105,475	27,851	24,169	181,572	187,668	-	-
2029-2033	151,033	7,455	30,970	21,050	205,722	163,518	-	-
2034-2038	-	-	34,440	17,580	233,083	136,157	-	-
2039-2043	-	-	38,297	13,723	264,083	105,157	-	-
2044-2048	-	-	42,585	9,435	299,207	70,033	-	-
2049-2053	-	-	47,355	4,665	339,001	30,239	-	-
2054-2058	-	-	19,919	413	66,055	820	-	-
Total	\$ 858,715	\$ 283,622	\$ 266,463	\$ 118,009	\$ 1,748,982	\$ 902,573	\$ 721,688	\$ 19,928

Year Ending June 30,	Totals	
	Principal	Interest
2019	\$ 275,494	\$ 167,741
2020	\$ 1,006,014	\$ 156,451
2021	\$ 293,481	\$ 138,560
2022	\$ 302,970	\$ 129,073
2023	\$ 312,137	\$ 121,286
2024-2028	\$ 1,720,368	\$ 456,415
2029-2033	\$ 840,452	\$ 201,356
2034-2038	\$ 300,779	\$ 153,737
2039-2043	\$ 319,010	\$ 118,880
2044-2048	\$ 341,792	\$ 79,468
2049-2053	\$ 386,356	\$ 34,904
2054-2058	\$ 85,974	\$ 1,233
Total	\$ 6,184,827	\$ 1,759,104

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. LONG-TERM DEBT (continued)

The annual requirements to amortize governmental debt outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	General Obligation Bond		Totals	
	Principal	Interest	Principal	Interest
2019	\$ 16,774	\$ 14,153	\$ 16,774	\$ 14,153
2020	34,212	13,568	34,212	13,568
2021	35,118	12,662	35,118	12,662
2022	36,048	11,732	36,048	11,732
2023	37,002	10,778	37,002	10,778
2024-2028	200,231	38,669	200,231	38,669
2029-2033	180,615	1,095	180,615	1,095
2034-2038	-	-	-	-
2039-2043	-	-	-	-
2044-2048	-	-	-	-
2049-2053	-	-	-	-
2054-2058	-	-	-	-
Total	\$ 540,000	\$ 102,657	\$ 540,000	\$ 102,657

Changes in Long-Term Debt and Obligations:

The following is a summary of long-term debt and obligations transactions of the Town of Saint Paul for the year ended June 30, 2018:

	Balance 7/1/2017	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2018
Business-Type Activities:				
Revenue bonds	\$ 4,816,986	\$ -	\$ (212,562)	\$ 4,604,424
Notes payable	913,424	721,688	(54,709)	1,580,403
Net Pension Liability	192,861	-	(42,968)	149,893
OPEB	56,879	-	(11,136)	45,743
Accrued Compensated Absences	36,317	18,245	(16,227)	38,335
Total	\$ 6,016,467	\$ 739,933	\$ (337,602)	\$ 6,418,798
Governmental Activities:				
Revenue Bonds	\$ -	\$ 540,000	\$ -	\$ 540,000
Capital lease	86,686	-	(69,201)	17,485
Net Pension Liability	472,178	-	(105,198)	366,980
OPEB	106,104	-	(10,737)	95,367
Accrued Compensated Absences	40,764	39,165	(29,010)	50,919
Total	\$ 705,732	\$ 39,165	\$ (214,146)	\$ 530,751

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness:

Enterprise Fund:

Water & Sewer

Bonds and Obligations:

\$3,300,000 Bond Payable to Miners Exchange Bank, issued on January 11, 2010, payable in monthly installments of \$20,909 at 4.5% interest. Final principal payment is due on January 15, 2030.

\$ 2,233,442

\$200,000 Bond Payable to Virginia Resources Authority, issued on June 23, 2010, at 0% interest. At June 30, 2011 the total disbursement of loan proceeds totaled \$199,537.

149,653

\$373,157 Bond payable to Virginia Department of Health and Community Development, issued December 11, 2001, due in semi-annual installments of \$6,155 at 0% interest rate. Final payment of principal is due October 1, 2032.

178,482

\$54,845 Bond payable to Virginia Department of Health and Community Development, issued August 9, 2002, due in semi-annual installments of \$920 at 0% interest rate. Final payment of principal is due May 1, 2033.

27,402

\$275,000 Bond payable to Rural Development, issued August 19, 2015. Payable in monthly installments of \$867 at interest rate of 2.125%. Final payment of principal is due August 2055.

266,463

\$1,200,000 Bond payable to First Bank & Trust, issued January 20, 2012. Payable in monthly installments of \$7,491 at interest varying from 3.45% to 5.85%. Final payment of principal is due January 19, 2030.

858,715

\$1,535,000 Bond payable to Cobank, issued March 15, 2017. Payable in monthly interest only installments 1.55%. Final balloon payment of principal is due March 31, 2020. At June 30, 2018 the total disbursement of loan proceeds totaled \$721,688.

721,688

\$1,810,000 Bond payable to Rural Development, issued May 23, 2014. Payable in monthly installments of \$6,154 at interest rate of 2.5%. Final payment of principal is due May 2054.

1,748,982

TOTAL ENTERPRISE FUNDS LONG-TERM DEBT

\$ 6,184,827

Governmental Fund:

General

Bonds and Obligations:

\$540,000 Bond Payable to Virginia Resources Authority, issued on November 29, 2017, due in semi-annual installments of \$23,890.01 at 2.63% interest rate. Final payment of principal is due January 1, 2032.

\$ 540,000

TOTAL GOVERNMENTAL FUNDS LONG-TERM DEBT

\$ 540,000

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. **LEASE OBLIGATIONS**

The Town of St. Paul has one lease obligation outstanding at June 30, 2018.

The Town entered into a lease with Branch Bank & Trust, in the amount of \$205,000, for a dump truck and a backhoe. The lease was entered into on July 21, 2015 and extends to July 21, 2018. The lease calls for annual principal and interest payments of \$70,236 at a 1.7% interest rate with the first payment beginning on October 21, 2015.

A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2019	17,485
Total	<u>\$ 17,485</u>

14. **COMMITMENTS AND CONTINGENCIES**

Litigation

In regard to litigation involving the Town of Saint Paul, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

15. **PENSION PLAN-AGENT MULTIPLE EMPLOYER**

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by 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 are paying 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 a 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:

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TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. 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</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. 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</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members</p>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contributions component, creditable service is used to determine vesting for the employer contribution portion of the plan.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contributions component of the plan. Members are always 100% vested in the contributions that they make. 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. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the</p>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

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.		employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security	Earliest Unreduced Retirement Eligibility Defined Benefit Component:

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

<p>(60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><u>Disability Coverage</u> 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><u>Purchase of Prior Service</u> 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</p>	<p><u>Purchase of Prior Service</u> Same as Plan 1.</p>	<p><u>Purchase of Prior Service Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

<p>service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>		<p>Defined Contribution Component: Not applicable.</p>
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TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>11</u>
Inactive members:	
Vested inactive members	2
Non-vested Inactive members	5
Inactive members active elsewhere in VRS	<u>12</u>
Total inactive members	19
Active members	<u>20</u>
Total covered employees	<u><u>50</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2018 was 9.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$ 70,068 and \$ 67,792 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. **PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)**

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Mortality rates:

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 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

All Others (Non 10 Largest) – Non-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.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 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 20%

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

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

Actuarial Assumptions – Public Safety Employees

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

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

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

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

**TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. **PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)**

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 2,722,542	\$ 2,057,503	\$ 665,039
Changes for the year:			
Service Cost	72,197	-	72,197
Interest	185,150	-	185,150
Change in benefit terms	-		-
Changes of assumptions	(49,108)		(49,108)
Differences between expected and actual experience	(7,902)	-	(7,902)
Contributions - employer	-	67,751	(67,751)
Contributions - employee	-	35,123	(35,123)
Net investment income	-	247,294	(247,294)
Benefit payments, including refunds of employee contributions	(155,076)	(155,076)	-
Administrative expenses	-	(1,445)	1,445
Other changes	-	(220)	220
Net changes	45,261	193,427	(148,166)
Balance at June 30, 2017	\$ 2,767,803	\$ 2,250,930	\$ 516,873

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town'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% Decrease (6.00%)	Current Rate Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 890,514	\$ 516,873	\$ 205,301

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$77,030. At June 30, 2018, the Town 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	\$ 11,313	\$ 5,471
Change in assumptions	-	33,998
Net difference between projected and actual earnings on pension plan investments	-	31,849
Employer contributions subsequent to the measurement date	70,068	-
Total	<u>\$ 81,381</u>	<u>\$ 71,318</u>

\$70,068 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2019	\$ (26,655)
2020	(7,715)
2021	(4,605)
2022	(21,030)
2023	-
Thereafter	-
	<u>\$ (60,005)</u>

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2018, the Town reported a payable of \$9,725 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

June 30, 2018

16. **OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-LOCALITY PLAN**

Plan Description

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The Town may change, add or delete coverage as they deem appropriate and with the approval of the Town Council. The plan does not grant retirees vested health benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. The Town pays 100% of the premium based on the following parameters:

- 1) Employees with 20 or more years of continuous service at retirement receive medical and dental insurance coverage for a maximum of three years.
- 2) There is no coverage for dependents.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Active members	20
Retired members	<u>2</u>
Total covered employees	<u><u>22</u></u>

Total OPEB Liability

The Town's Total OPEB Liability of \$83,110 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2016.

There are no assets accumulated in a trust, therefore, the Net Fiduciary Position is \$0, and the Net OPEB Liability is equal to the Total OPEB Liability.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent per year
Discount rate	2.98 percent per year
Healthcare cost trend rates	2.00 percent for 2016, 4.60 percent in 2017, then graded to 4.70% over 82 years.
Retirees' share of benefit-Related costs	0% of projected health insurance premiums for retirees

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

16. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-LOCALITY PLAN (Continued)

The discount was based on the Getzen Trend Model, *Milliman's Health Cost Guidelines* and actuarial judgment.

Mortality rates:

RP-2000 Employee Mortality Tables for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2017	\$ 148,695
Changes for the year:	
Service cost	24,420
Interest	3,325
Changes of assumptions	(9,926)
Difference between expected and actual experience	(69,652)
Benefit payments, including refunds of employee contributions	(13,752)
Net changes	(65,585)
Balances at June 30, 2018	\$ 83,110

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

The following presents the total pension liability of the Town using the discount rate of 2.98%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current rate:

	1.00% Decrease (1.98%)	Current Discount Rate (2.98%)	1.00% Increase (3.98%)
Total OPEB Liability	\$ 93,258	\$ 83,110	\$ 74,649

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Town's total OPEB liability using the current healthcare cost trend rates. It also presents what the Town's Total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1.00 % Decrease in Trend Rate	Current Trend Rate	1.00% Increase in Trend Rate
Total OPEB Liability	\$ 72,875	\$ 83,110	\$ 95,728

June 30, 2018

17. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-VRS GROUP LIFE PLAN

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$3,906 and \$3,716 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Town reported a liability of \$58,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Town's proportion was .00387% as compared to .00402% at June 30, 2016.

For the year ended June 30, 2018, the Town recognized GLI OPEB expense of \$(2000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

17. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-VRS GROUP LIFE PLAN (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,000
Change in assumptions	-	3,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>3,906</u>	<u> </u>
Total	<u>\$ 3,906</u>	<u>\$ 6,000</u>

\$3,906 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30	(Reduction) to OPEB Expense
2019	\$ (1,000)
2020	(1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
Thereafter	(1,000)
	<u>\$ (6,000)</u>

Actuarial Assumptions

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

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

17. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-VRS GROUP LIFE PLAN (continued)

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

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 15.

Net GLI OPEB Liability

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

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

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

June 30, 2018

17. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-VRS GROUP LIFE PLAN (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

June 30, 2018

17. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-VRS GROUP LIFE PLAN (continued)

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

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

	1.00% Decrease	Current Discount	1.00% Increase
	<u>6.00%</u>	<u>Rate (7.00%)</u>	<u>8.00%</u>
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 75,000	\$ 58,000	\$ 44,000

Group Life Insurance Program Fiduciary Net Position

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

Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2018, the Town reported a payable of \$814 for the outstanding amount of contributions to the group life insurance plan required for the year ended June 30, 2018.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

18. SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFIT ELEMENTS

A summary of pension and other postemployment benefit (OPEB) related financial statement elements is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - Related to Pensions			
Deferred outflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	7,353	3,960	11,313
Deferred outflow-Contributions after the measurement date			
VRS-Defined Benefit Pension Plan	50,565	19,503	70,068
Total deferred outflow of resources - Pensions	<u>\$ 57,918</u>	<u>\$ 23,463</u>	<u>\$ 81,381</u>
Deferred outflows of resources - OPEB			
Deferred outflow-Contributions after the measurement date			
VRS-GLI-OPEB Program	2,773	1,133	3,906
Total deferred outflow of resources - OPEB	<u>\$ 2,773</u>	<u>\$ 1,133</u>	<u>\$ 3,906</u>
Net pension liability			
VRS-Defined Benefit Pension Plan	<u>\$ 366,980</u>	<u>\$ 149,893</u>	<u>\$ 516,873</u>
Total net pension liability	<u>\$ 366,980</u>	<u>\$ 149,893</u>	<u>\$ 516,873</u>
Net OPEB liability			
Local Health	\$ 54,187	\$ 28,923	\$ 83,110
VRS-GLI	41,180	16,820	58,000
Total net OPEB liability	<u>\$ 95,367</u>	<u>\$ 45,743</u>	<u>\$ 141,110</u>
Deferred inflows of resources - Related to Pensions			
Deferred inflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	<u>\$ 50,635</u>	<u>\$ 20,683</u>	<u>\$ 71,318</u>
Total deferred inflow of resources - Pensions	<u>\$ 50,635</u>	<u>\$ 20,683</u>	<u>\$ 71,318</u>
Deferred inflows of resources - OPEB			
Deferred inflows-Differences in expected/actual and assumption			
VRS-GLI-Cost Sharing-Multiple-Employer	4,260	1,740	6,000
Total deferred inflow of resources - OPEB	<u>\$ 4,260</u>	<u>\$ 1,740</u>	<u>\$ 6,000</u>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

19. SURETY BONDS

The Town of Saint Paul has a blanket bond with Virginia Municipal Liability Pool covering general liability, public officials, and law enforcement with a \$1,000,000 occurrence limit. The Town has an additional \$100,000 crime and bond coverage for the Town's treasurer functions.

20. RESTATEMENT OF NET POSITION AND PRIOR PERIOD ADJUSTMENT TO FUND BALANCE

Prior Period Adjustment to Fund Balance

In fiscal year 2017, the Town reported amounts as Construction in Progress (CIP) in the Utility fund that were determined in fiscal year 2018 to actually be CIP for the General Fund. A prior period adjustment was made to the General Fund beginning fund balance to reflect this change. The effect of the change on the Utility fund netted to zero given the activity was contained within an asset and offsetting liability in the Statement of Net Position.

	General Fund
Beginning Fund Balance at July 1, 2017	\$ 5,028,251
Reclass of CIP	<u>(88,274)</u>
Adjusted Fund Balance at July 1, 2017	<u><u>\$ 4,939,977</u></u>

Restatement of Net Position

The Town implemented the financial reporting provisions of Statement 75 described in Notes 16 and 17 for the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures relating to other post-employment benefits (OPEB). Note disclosures and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for OPEB. The implementation of this Statement resulted in the following restatement of net position:

	General Government	Enterprise	Total
Net Position as reported at June 30, 2017	\$ 5,959,802	\$ 8,371,558	\$ 14,331,360
Implementation of GASB 75			
Locality Health Plan	18,226	9,814	28,040
Group Life (GLI)-VRS	<u>(46,860)</u>	<u>(19,140)</u>	<u>(66,000)</u>
Net Position as restated at June 30, 2017	<u>5,931,168</u>	<u>8,362,232</u>	<u>14,293,400</u>

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 24, 2019, the date which the financial statements were available to be issued.

June 30, 2018

22. **NEW ACCOUNTING PRONOUNCEMENTS**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

In June 2016, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Town has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town adopted this Statement for fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Town adopted this Statement for fiscal year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Town adopted this Statement for fiscal year ending June 30, 2018.

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics: (1) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, (2) measuring certain money market investments and participating interest-earning investment contracts at amortized cost, (3) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, (4) recognizing on-behalf payments for pension or OPEB in employer financial statements, (5) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, (6) classifying employer-paid member contributions for OPEB, (7) simplifying certain aspects of the alternative measurement method for OPEB, (8) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The Town adopted this Statement for fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The Town adopted this Statement for fiscal year ending June 30, 2018.

June 30, 2018

23. ***FUTURE ACCOUNTING PRONOUNCEMENTS***

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. This Statement will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement will be effective for the year ending June 30, 2019.

Management is currently evaluating the impact the implementation of these standards will have in the financial statements when adopted.

TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

EXHIBIT 14

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
General property taxes	\$ 2,464,395	\$ 2,479,395	\$ 2,516,669	\$ 37,274
Other local taxes	557,150	512,050	533,729	21,679
Permits, privilege fees and regulatory licenses	1,000	1,000	2,045	1,045
Fines and forfeitures	5,800	5,800	5,645	(155)
Revenue from use of money and property	32,800	32,800	45,029	12,229
Charges for services	20,100	20,100	26,142	6,042
Miscellaneous	10,450	12,350	16,944	4,594
Recovered costs	-	-	-	-
Intergovernmental	853,847	853,847	119,406	(734,441)
Total Revenues	3,945,542	3,917,342	3,265,609	(651,733)
EXPENDITURES:				
General government administration	906,460	914,460	846,859	67,601
Public safety	466,313	502,013	543,874	(41,861)
Public works	568,501	581,501	609,671	(28,170)
Parks, recreation and cultural	145,671	176,671	158,682	17,989
Community development	1,536,760	1,567,260	726,906	840,354
Non-departmental	642,600	552,600	-	552,600
Debt Service	170,237	170,237	70,236	100,001
Total Expenditures	4,436,542	4,464,742	2,956,228	1,508,514
OTHER FINANCING SOURCES (USES):				
Sale of property	1,000	4,800	4,826	26
Insurance recoveries	-	52,600	57,873	5,273
Loan proceeds	540,000	540,000	540,000	-
Transfers in (out)	(50,000)	(50,000)	(50,000)	-
Prior Year Suplus	-	-	-	-
Total Other Financing Sources (Uses)	491,000	547,400	552,699	5,299
Net Change in Fund Balance	\$ -	\$ -	\$ 862,080	\$ 862,080

TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 72,197	\$ 73,571	\$ 65,738	\$ 63,895
Interest	185,150	174,959	156,525	145,707
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(7,902)	7,440	98,257	-
Changes in assumptions	(49,108)	-	-	-
Benefit payments, including refunds of employee contributions	(155,076)	(65,698)	(48,629)	(61,492)
Net change in total pension liability	45,261	190,272	271,891	148,110
Total pension liability - beginning	2,722,542	2,532,270	2,260,379	2,112,269
Total pension liability - ending	\$ 2,767,803	\$ 2,722,542	\$ 2,532,270	\$ 2,260,379
Plan fiduciary net position				
Contributions - employer	\$ 67,751	\$ 65,638	\$ 66,048	\$ 58,312
Contributions - employee	35,123	35,856	36,118	34,450
Net investment income	247,294	36,222	86,356	251,190
Benefit payments, including refunds of employee contribution	(155,076)	(65,698)	(48,629)	(61,492)
Administrative expense	(1,445)	(1,201)	(1,111)	(1,314)
Other	(220)	(15)	(19)	13
Net change in total pension liability	193,427	70,802	138,763	281,159
Total pension liability - beginning	2,057,503	1,986,701	1,847,938	1,566,779
Total pension liability - ending	\$ 2,250,930	\$ 2,057,503	\$ 1,986,701	\$ 1,847,938
Political subdivision's net pension liability - ending	\$ 516,873	\$ 665,039	\$ 545,569	\$ 412,441
Plan fiduciary net position as a percentage of the total pension liability	81.33%	75.57%	78.46%	81.75%
Covered - employee payroll	\$ 724,574	\$ 735,332	\$ 732,836	\$ 674,349
Political subdivision's net pension liability as a percentage of covered-employee payroll	71.33%	90.44%	74.45%	61.16%

1) Fiscal year 2015 (plan year 2014) was the first year of GASB 68 implementation; therefore, only four years are shown herein.

**TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2018**

Date	Contributions Relation to			Employer's		Contributions
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Covered Employee Payroll	as a % of Covered Employee Payroll
2018	\$ 70,068	\$ 70,068	\$ -	\$ 745,374		9.40%
2017	\$ 67,792	\$ 67,792	\$ -	\$ 724,574		9.36%
2016	\$ 65,638	\$ 65,638	\$ -	\$ 735,332		8.93%
2015	\$ 66,232	\$ 66,232	\$ -	\$ 732,836		9.04%
2014	\$ 57,861	\$ 57,861	\$ -	\$ 674,349		8.58%
2013	\$ 81,385	\$ 81,385	\$ -	\$ 665,132		12.24%
2012	\$ 77,031	\$ 77,031	\$ -	\$ 613,047		12.57%
2011	\$ 75,316	\$ 75,316	\$ -	\$ 560,247		13.44%
2010	\$ 71,351	\$ 71,351	\$ -	\$ 537,367		13.28%
2009	\$ 62,203	\$ 62,203	\$ -	\$ 481,860		12.91%

TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 24,420
Interest	3,325
Changes of benefit terms	-
Differences between expected and actual experience	(69,652)
Changes in assumptions	(9,926)
Benefit payments, including refunds of employee contributions	<u>(13,752)</u>
Net change in total pension liability	<u>(65,585)</u>
Total pension liability - beginning	<u>148,695</u>
Total pension liability - ending	<u><u>\$ 83,110</u></u>
 Covered - employee payroll	 \$ 745,374
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 11.15%

1) Fiscal year 2018 was the first year of GASB 75 implementation; therefore only one year is shown herein.

Notes to Schedule:

Changes to assumptions: Changes to assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	2.980%
2017	2.000%

TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2018

*	Employer's	Employer's		Employer's	Plan
Fiscal	Portion	Proportionate		Proportionate Share	Fiduciary
Year	of the	Share of the	Employer's	of the Net OPEB	Net Position
Ended	Net OPEB	Net OPEB	Covered	Liability (Asset)	as a % of the
30-Jun	Liability (Asset)	Liability (Asset)	Payroll	as % of its	Total
				Covered Payroll	OPEB Liability
<hr/>					
VRS-Group Life Insurance-General Employees					
2018	0.00387%	\$ 58,000	\$ 745,374	7.78%	48.86%

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

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

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

**TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2018**

Fiscal Year	Contractually Required Contribution	Contributions Related to		Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
		Contractually Required Contribution	Contribution Deficiency (Excess)		
VRS-Group Life Insurance-General Employees					
2018	\$ 3,906	\$ 3,906	\$ -	\$ 745,374	0.52%

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

The covered payroll amounts above are for the entity's fiscal year-i.e. the covered payroll on which required contributions were based for the same year.

TOWN OF SAINT PAUL, VIRGINIA
Notes to Required Supplemental Information
For the Year Ended June 30, 2018

Note 1. Change of benefit terms

Pension

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 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 20%
Applicable to:	Pension, GLI OPEB, and VLDP OPEB

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 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%
Applicable to:	Pension, GLI OPEB, and VLDP OPEB

Largest 10 -- Hazardous Duty/Public Safety Employees:

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

All Others (Non 10 Largest) -- Hazardous Duty/Public Safety Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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%
Applicable to:	Pension, GLI OPEB, and VLDP OPEB

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

SCHEDULE 1
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 2,420,000	\$ 2,420,000	\$ 2,443,169	\$ 23,169
Real and personal public service corporation property taxes	-	-	-	-
Personal property taxes	43,885	58,885	69,437	10,552
Penalties and interest	510	510	4,063	3,553
Total General Property Taxes	<u>2,464,395</u>	<u>2,479,395</u>	<u>2,516,669</u>	<u>37,274</u>
Other Local Taxes:				
Local sales and use taxes	54,000	54,000	46,865	(7,135)
Cigarette taxes	21,000	21,000	18,739	(2,261)
Utility taxes	54,000	54,000	53,636	(364)
Business licenses taxes	115,200	98,100	95,128	(2,972)
Motor vehicle licenses	50	50	30	(20)
Bank stock taxes	27,000	27,000	38,680	11,680
Hotel and motel room taxes	3,900	3,900	10,068	6,168
Restaurant food taxes	257,000	237,000	253,331	16,331
Coal road improvement taxes	25,000	17,000	17,252	252
Total Other Local Taxes	<u>557,150</u>	<u>512,050</u>	<u>533,729</u>	<u>21,679</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>1,000</u>	<u>1,000</u>	<u>2,045</u>	<u>1,045</u>
Fines and Forfeitures	<u>5,800</u>	<u>5,800</u>	<u>5,645</u>	<u>(155)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	28,000	28,000	40,229	12,229
Revenue from use of property	4,800	4,800	4,800	-
Total Revenue From Use of Money and Property	<u>32,800</u>	<u>32,800</u>	<u>45,029</u>	<u>12,229</u>
Charges For Services:				
Charges for sanitation and waste removal	100	100	75	(25)
Charges for parks and recreation	-	-	-	-
Swimming pool	20,000	20,000	26,067	6,067
Total Charges For Services	<u>20,100</u>	<u>20,100</u>	<u>26,142</u>	<u>6,042</u>
Miscellaneous Revenue	<u>10,450</u>	<u>12,350</u>	<u>16,944</u>	<u>4,594</u>
Recovered Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue From Local Sources	<u>\$ 3,091,695</u>	<u>\$ 3,063,495</u>	<u>\$ 3,146,203</u>	<u>\$ 82,708</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

SCHEDULE 1
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile home titling taxes	\$ 100	\$ 100	\$ 125	\$ 25
Rolling stock taxes	6,000	6,000	5,553	(447)
Assistance to localities with police departments	23,766	23,766	23,768	2
Total Non-Categorical Aid	<u>29,866</u>	<u>29,866</u>	<u>29,446</u>	<u>(420)</u>
Other Categorical Aid:				
State Aid - Emergency Services	-	-	-	-
Litter control	1,000	1,000	1,006	6
Financial assistance to the arts	1,000	1,000	-	(1,000)
Community Revitalization	-	-	-	-
IRF-Grant	-	-	-	-
VDOT-Grant	300,000	300,000	23,465	(276,535)
Farmers Market-EBT Grant	-	-	-	-
VDH-Healthy Bucks Grant	-	-	-	-
Fire programs fund	10,000	10,000	20,000	10,000
Total Other Categorical Aid	<u>312,000</u>	<u>312,000</u>	<u>44,471</u>	<u>(267,529)</u>
Total Revenue From The Commonwealth	<u>341,866</u>	<u>341,866</u>	<u>73,917</u>	<u>(267,949)</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	3,600	3,600	3,764	164
Total Payment in Lieu of Taxes	<u>3,600</u>	<u>3,600</u>	<u>3,764</u>	<u>164</u>
Categorical Aid:				
DMV Grants	4,000	4,000	3,976	(24)
ARC Grant Revenue	195,381	195,381	35,449	(159,932)
Library Grant	-	-	-	-
Department of Forestry Grant	-	-	2,300	2,300
TVA-Reimbursement	2,000	2,000	-	(2,000)
Transportation Enhancement Grant	300,000	300,000	-	(300,000)
LLEBG-Block Grant	7,000	7,000	-	(7,000)
Total Categorical Aid	<u>508,381</u>	<u>508,381</u>	<u>41,725</u>	<u>(466,656)</u>
Total Revenue From The Federal Government	<u>511,981</u>	<u>511,981</u>	<u>45,489</u>	<u>(466,492)</u>
Prior Years Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL FUND	<u>3,945,542</u>	<u>3,917,342</u>	<u>3,265,609</u>	<u>(651,733)</u>
SPECIAL REVENUE FUNDS:				
Veteran's Memorial Wall				
Revenue From Local Sources:				
Revenue from Use of Money and Property:	-	-	6	6
Transfers in (out)	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenue Veteran's Memorial Wall	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Total Special Revenue Funds	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
GRAND TOTALS - REVENUES - GOVERNMENTAL FUNDS	<u>\$ 3,945,542</u>	<u>\$ 3,917,342</u>	<u>\$ 3,265,615</u>	<u>\$ (651,727)</u>

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

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

SCHEDULE 2
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Mayor	\$ 4,800	\$ 4,800	\$ 4,400	\$ 400
Total Legislative	<u>4,800</u>	<u>4,800</u>	<u>4,400</u>	<u>400</u>
General and Financial Administration:				
Salaries and Wages	149,928	149,928	140,713	9,215
Payroll taxes	13,113	13,113	10,742	2,371
Health insurance	41,775	41,775	41,762	13
Retirement	20,556	20,556	20,526	30
Insurance-Worker's Compensation	568	568	379	189
Other Employee Benefits	1,620	1,620	1,660	(40)
Legal fees	50,000	50,000	35,460	14,540
Accounting	13,800	13,800	11,250	2,550
Audit expense	13,500	13,500	12,000	1,500
Dues, Licenses & Fees	2,200	2,200	2,144	56
Advertising	5,000	5,000	3,365	1,635
Computer Software	7,000	16,000	12,328	3,672
Insurance-General Liability	3,350	3,350	3,239	111
Insurance-Bond Coverage	350	350	278	72
Miscellaneous	52,700	56,200	21,721	34,479
Supplies & Equipment	10,500	15,500	20,702	(5,202)
Town Election Expense	2,000	2,000	2,222	(222)
Telephone	8,000	8,500	7,469	1,031
Travel, Lodging & Entertainment	18,000	18,000	15,703	2,297
Tax Ticket Preparation	1,000	1,000	750	250
Tax Credit-WC IDA	480,000	470,000	467,168	2,832
Cigarette Tax Costs	3,000	3,000	81	2,919
Capital Outlay	3,700	3,700	10,797	(7,097)
Total General and Financial Administration	<u>901,660</u>	<u>909,660</u>	<u>842,459</u>	<u>67,201</u>
Total General Government Administration	<u>906,460</u>	<u>914,460</u>	<u>846,859</u>	<u>67,601</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Salaries and Wages	202,000	202,000	246,769	(44,769)
Payroll taxes	15,789	15,789	18,387	(2,598)
Health insurance	77,155	77,155	89,857	(12,702)
Retirement	19,717	19,717	19,695	22
Insurance-Worker's Compensation	11,352	11,352	11,550	(198)
Other Employee benefits	2,700	2,700	2,693	7
Uniforms	2,500	2,500	2,430	70
Legal Fees	4,800	4,800	5,948	(1,148)
Dues, Licenses & Fees	2,200	2,200	1,980	220
Liability Insurance	3,200	3,200	3,239	(39)
Materials and Supplies	14,000	14,000	10,833	3,167
Materials and Supplies-Christmas Toy Drive	4,700	4,700	6,530	(1,830)
Training and Education	2,650	2,650	2,351	299
Telephone	3,900	3,900	3,369	531
Utilities	7,000	7,000	6,453	547
Miscellaneous	7,800	10,300	8,903	1,397
Vehicle Expense	32,850	35,350	36,669	(1,319)
Line of Duty expense	2,750	33,450	35,906	(2,456)
Capital Outlay	29,750	29,750	23,527	6,223
Total Law Enforcement and Traffic Control	<u>446,813</u>	<u>482,513</u>	<u>537,089</u>	<u>(54,576)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

SCHEDULE 2
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire and Rescue Services:				
Vehicle expense	3,300	3,300	1,372	1,928
Insurance	5,700	5,700	5,405	295
Fire programs	10,000	10,000	-	10,000
Supplies	500	500	8	492
Utilities	-	-	-	-
Miscellaneous	-	-	-	-
Total Fire and Rescue Services	<u>19,500</u>	<u>19,500</u>	<u>6,785</u>	<u>12,715</u>
Total Public Safety	<u>466,313</u>	<u>502,013</u>	<u>543,874</u>	<u>(41,861)</u>
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Salaries and Wages	178,000	178,000	221,936	(43,936)
Payroll taxes	13,897	13,897	16,527	(2,630)
Health insurance	69,617	69,617	77,955	(8,338)
Retirement	17,244	17,244	19,586	(2,342)
Insurance-Worker's Compensation	23,238	23,238	15,977	7,261
Other employee benefits	2,400	2,400	2,651	(251)
Uniforms	7,800	9,900	9,204	696
Inmate Expense	9,600	9,600	-	9,600
Litter Control	1,000	1,000	100	900
Materials & Supplies	14,000	18,000	16,110	1,890
Telephone	1,000	1,000	806	194
Utilities	35,000	35,000	32,813	2,187
Vehicle expense	35,950	40,950	41,153	(203)
Capital Outlay	<u>143,000</u>	<u>143,000</u>	<u>138,719</u>	<u>4,281</u>
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>551,746</u>	<u>562,846</u>	<u>593,537</u>	<u>(30,691)</u>
Maintenance of General Buildings and Grounds:				
Wages-Custodial	5,455	5,455	5,476	(21)
Materials & Supplies	5,900	5,900	3,379	2,521
Insurance-Buildings and Property	5,400	7,300	7,279	21
Capital Outlay	-	-	-	-
Total Maintenance of General Buildings and Grounds	<u>16,755</u>	<u>18,655</u>	<u>16,134</u>	<u>2,521</u>
Total Public Works	<u>568,501</u>	<u>581,501</u>	<u>609,671</u>	<u>(28,170)</u>
Parks, Recreation and Cultural:				
Salaries and Wages	22,000	22,000	31,104	(9,104)
Payroll Taxes	1,837	1,837	2,588	(751)
Insurance-Worker's Compensation	2,100	2,100	2,208	(108)
Miscellaneous	23,700	50,700	37,853	12,847
Concessions	9,000	9,000	13,727	(4,727)
Maintenance & Repairs	24,400	28,400	28,532	(132)
Materials & supplies	8,000	8,000	6,176	1,824
Telephone	1,500	1,500	1,264	236
Utilities	15,400	15,400	14,500	900
Capital Outlay	<u>14,000</u>	<u>14,000</u>	<u>5,000</u>	<u>9,000</u>
Total Parks and Recreation	<u>121,937</u>	<u>152,937</u>	<u>142,952</u>	<u>9,985</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

SCHEDULE 2
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Cultural Enrichment:				
Pro-Art	2,000	2,000	-	2,000
Fourth of July Celebration	9,000	9,000	6,990	2,010
Civic-Little League	1,000	1,000	948	52
Miscellaneous	3,884	3,884	3,248	636
Total Cultural Enrichment	<u>15,884</u>	<u>15,884</u>	<u>11,186</u>	<u>4,698</u>
Library:				
Payments to regional library	<u>7,850</u>	<u>7,850</u>	<u>4,544</u>	<u>3,306</u>
Total Parks, Recreation and Cultural	<u>145,671</u>	<u>176,671</u>	<u>158,682</u>	<u>17,989</u>
Community Development:				
Lake Estonsa Learning Center	21,500	22,000	25,748	(3,748)
Farmers Market	5,000	5,000	4,400	600
VDOT Streetscape Expense	300,000	300,000	300	299,700
VDOT Revenue Sharing	300,000	300,000	6,146	293,854
Contributions-IDA-Willis	738,000	738,000	582,949	155,051
Community development	172,260	202,260	107,363	94,897
Total Planning and Community Development	<u>1,536,760</u>	<u>1,567,260</u>	<u>726,906</u>	<u>840,354</u>
Total Community Development	<u>1,536,760</u>	<u>1,567,260</u>	<u>726,906</u>	<u>840,354</u>
Non-Departmental				
Contingency	<u>642,600</u>	<u>552,600</u>	<u>-</u>	<u>552,600</u>
Total Non-Departmental	<u>642,600</u>	<u>552,600</u>	<u>-</u>	<u>552,600</u>
Debt Service:				
Principal retirement	169,202	169,202	69,202	\$ 100,000
Interest	<u>1,035</u>	<u>1,035</u>	<u>1,034</u>	<u>1</u>
Total Debt Service	<u>170,237</u>	<u>170,237</u>	<u>70,236</u>	<u>100,001</u>
TOTAL GENERAL FUND	<u>4,436,542</u>	<u>4,464,742</u>	<u>2,956,228</u>	<u>1,508,514</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 4,436,542</u>	<u>\$ 4,464,742</u>	<u>\$ 2,956,228</u>	<u>\$ 1,508,514</u>
OTHER FINANCING RESOURCES (USES):				
Sale of property	1,000	4,800	4,826	26
Insurance recoveries	-	52,600	57,873	5,273
Loan proceeds	540,000	540,000	540,000	-
Transfers in (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>491,000</u>	<u>547,400</u>	<u>552,699</u>	<u>5,299</u>
Net Increase (Decrease) in General Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 862,080</u>	<u>\$ 862,080</u>
SPECIAL REVENUE FUNDS:				
Veteran's Memorial Wall				
Miscellaneous	-	-	-	-
Total Revenue Veteran's Memorial Wall	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Special Revenue Funds Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total Expenditures-Governmental Funds	<u>4,927,542</u>	<u>5,012,142</u>	<u>3,508,927</u>	<u>1,513,813</u>
Net Increase (Decrease) in Governmental Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 862,086</u>	<u>\$ 862,086</u>

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

TOWN OF SAINT PAUL, VIRGINIA
ENTERPRISE FUND REVENUES and EXPENSES
BUDGETARY COMPARISON SCHEDULE
June 30, 2018

SCHEDULE 3

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES:				
Charges for Services:				
Water Services	\$ 662,000	\$ 710,000	\$ 746,149	\$ 36,149
Sewer Services	354,732	346,732	358,744	12,012
Garbage Services	80,000	75,000	79,660	4,660
Penalties	7,000	10,000	15,879	5,879
Other Income	400	400	34,598	34,198
TOTAL OPERATING REVENUES	<u>1,104,132</u>	<u>1,142,132</u>	<u>1,235,030</u>	<u>92,898</u>
OPERATING EXPENSES:				
Water Department:				
Salaries & Wages	157,619	157,619	169,020	(11,401)
Payroll Taxes	12,226	12,226	12,678	(452)
Retirement	21,774	21,774	1,067	20,707
Insurance - Health	41,772	41,772	47,400	(5,628)
Insurance - Workmens Compensation	7,127	7,127	5,863	1,264
Contractual	-	-	-	-
Audit Fees	1,250	1,250	-	1,250
Chemicals	24,000	34,200	30,279	3,921
Miscellaneous	9,500	11,500	7,422	4,078
Fuel, Oil & Gas	1,200	1,200	1,100	100
Insurance-Buildings & Property	6,310	6,310	9,206	(2,896)
Insurance-Vehicles	5,100	5,100	4,847	253
Licenses, Permits & Fees	16,050	16,050	8,732	7,318
Loan Expenses	18,959	18,959	-	18,959
Office Equipment & Supplies	23,950	23,950	16,972	6,978
Postage	3,000	3,000	3,412	(412)
Repairs & Maintenance	36,000	29,000	28,671	329
Utilities	62,100	66,100	62,416	3,684
Uniforms	7,500	7,500	8,957	(1,457)
Capital Outlay	641,730	641,730	-	641,730
TOTAL WATER DEPARTMENT	<u>1,097,167</u>	<u>1,106,367</u>	<u>418,042</u>	<u>688,325</u>
Sewer Department:				
Salaries & Wages	90,019	90,019	107,333	(17,314)
Payroll Taxes	6,177	6,977	8,017	(1,040)
Retirement	7,337	7,337	4,686	2,651
Insurance - Health	16,368	16,368	14,534	1,834
Insurance - Workmens Compensation	1,607	1,607	1,744	(137)
Contract Labor	-	-	-	-
Audit Fees	1,500	1,500	-	1,500
Miscellaneous	-	-	-	-

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

TOWN OF SAINT PAUL, VIRGINIA
ENTERPRISE FUND REVENUES and EXPENSES
BUDGETARY COMPARISON SCHEDULE
June 30, 2018

SCHEDULE 3

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sewer Department: (Cont.)				
Fuel, Oil & Gas	2,000	2,000	1,465	535
Licenses, Permits & Fees	3,200	3,200	3,787	(587)
Materials & Supplies	11,500	11,500	13,788	(2,288)
Repairs & Maintenance	43,000	60,000	33,340	26,660
Utilities	40,000	50,000	44,810	5,190
Testing	12,000	10,000	9,714	286
Capital Outlay	2,407,900	2,407,900	2,920	2,404,980
TOTAL SEWER DEPARTMENT	<u>2,642,608</u>	<u>2,668,408</u>	<u>246,138</u>	<u>2,422,270</u>
Garbage Department:				
Salaries & Wages	50,804	50,804	59,635	(8,831)
Payroll Taxes	3,999	3,999	4,269	(270)
Retirement	5,505	5,505	5,480	25
Insurance - Health	40,651	40,651	40,500	151
Insurance - Workmens Compensation	3,508	3,508	4,371	(863)
Fuel, Oil & Gas	12,350	15,350	25,005	(9,655)
Materials & Supplies	200	200	310	(110)
Repairs & Maintenance	2,500	2,500	591	1,909
TOTAL GARBAGE DEPARTMENT	<u>119,517</u>	<u>122,517</u>	<u>140,161</u>	<u>(17,644)</u>
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	<u>3,859,292</u>	<u>3,897,292</u>	<u>804,341</u>	<u>3,092,951</u>
Depreciation Expense	-	-	512,051	(512,051)
TOTAL OPERATING EXPENSES	<u>3,859,292</u>	<u>3,897,292</u>	<u>1,316,392</u>	<u>2,580,900</u>
OPERATING INCOME (LOSS)	<u>(2,755,160)</u>	<u>(2,755,160)</u>	<u>(81,362)</u>	<u>2,673,798</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	8,000	8,000	13,087	5,087
Interest Expense	(35,000)	(35,000)	(165,304)	(130,304)
Connection Fees	1,500	1,500	1,740	240
Gain/(Loss) from Asset Disposal	-	-	-	-
Loan Proceeds	2,045,730	2,045,730	-	(2,045,730)
Grant and intermunicipal revenue	1,063,736	1,063,736	62,011	(1,001,725)
TOTAL NON-OPERATING REVENUES (EXPENSE)	<u>3,083,966</u>	<u>3,083,966</u>	<u>(88,466)</u>	<u>(3,172,432)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFER:	<u>328,806</u>	<u>328,806</u>	<u>(169,828)</u>	<u>(498,634)</u>
Operating Transfer In (Out)	50,000	50,000	50,000	-
Debt Service	(378,806)	(378,806)	-	378,806
Reappropriation of Retained Earnings	-	-	-	-
TOTAL OPERATING TRANSFERS	<u>(328,806)</u>	<u>(328,806)</u>	<u>50,000</u>	<u>378,806</u>
NET INCOME (LOSS)	<u>-</u>	<u>-</u>	<u>(119,828)</u>	<u>(119,828)</u>

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

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF ASSESSED VALUES AND PROPERTY TAX LEVIES
For the Year Ended June 30, 2018

PROPERTY TAX LEVIES AND COLLECTIONS

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1) TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
2018	2,519,484	2,512,442	99.72%	7,042	2,519,484	100.00%	16,433	0.65%
2017	2,521,737	2,512,814	99.65%	8,923	2,521,737	100.00%	23,855	0.95%
2016	2,566,017	2,564,152	99.93%	6,756	2,570,908	100.19%	16,553	0.65%
2015	2,399,713	2,392,871	99.71%	5,783	2,398,654	99.96%	21,926	0.91%
2014	2,535,384	2,487,778	98.12%	3,286	2,491,064	98.25%	22,599	0.89%
2013	1,107,642	1,021,968	92.27%	5,526	1,027,494	92.76%	22,163	2.00%
2012	1,095,827	1,089,180	99.39%	1,478	1,090,658	99.53%	22,075	2.01%
2011	885,136	881,649	99.61%	840	882,489	99.70%	27,071	3.06%
2010	177,790	174,910	98.38%	522	175,432	98.67%	24,378	13.71%

ASSESSED VALUE OF TAXABLE PROPERTY

REAL ESTATE TAX RATE: .18 PER \$100		PERSONAL PROPERTY TAX RATE: .31 PER \$100				
FISCAL YEAR	WISE COUNTY		RUSSELL COUNTY		TOTAL	
	WISE COUNTY	RUSSELL COUNTY	WISE COUNTY	RUSSELL COUNTY	REAL ESTATE	PERSONAL PROPERTY
2018	1,341,081,192	16,390,887	1,357,472,079	22,290,807	2,236,010	24,526,817
2017	1,365,402,143	16,449,009	1,381,851,152	12,198,866	2,314,548	14,513,414
2016	1,382,650,906	27,036,223	1,409,687,129	15,893,002	2,432,132	18,325,134
2015	1,285,537,984	15,771,000	1,301,308,984	18,334,975	2,124,626	20,459,601
2014	1,367,967,435	16,442,116	1,384,409,551	11,541,942	2,473,023	14,014,965
2013	558,526,438	12,355,600	570,882,038	24,266,395	1,509,360	25,775,755
2012	531,195,633	12,345,400	543,541,033	36,384,860	1,540,825	37,925,685
2011	416,670,604	15,261,114	431,931,718	33,122,691	1,606,009	34,728,700
2010	46,363,725	15,179,596	61,543,321	20,178,308	1,438,495	21,616,803

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT PAUL, VIRGINIA
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:		DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				\$	\$		\$	\$			
2018	1,000	\$ 1,357,472	\$ 6,724,827	\$ -	\$ 6,184,827	\$ -	\$ 540,000	\$ 0.0004	\$ 540.00		
2017	1,000	1,381,851	5,730,410	-	5,730,410	-	-	-	-		
2016	1,000	1,409,687	5,989,787	-	5,989,787	-	-	-	-		
2015	1,000	1,301,309	5,960,624	-	5,960,624	-	-	-	-		
2014	1,000	1,384,410	5,772,585	-	5,772,585	-	-	-	-		
2013	1,000	570,882	4,582,582	-	4,582,582	-	-	-	-		
2012	1,000	543,541	4,897,442	-	4,897,442	-	-	-	-		
2011	1,000	431,932	4,026,482	-	4,026,482	-	-	-	-		
2010	1,000	61,543	3,689,895	-	3,685,367	-	4,528	0.0001	4.53		
2009	1,000	46,671	371,147	-	360,470	-	10,677	0.0002	10.68		

Notes:

(1) Bureau of Census.

(2) Includes all long-term general obligation debt.

The accompanying notes are an integral part of the financial statements

TOWN OF SAINT PAUL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
Year Ended June 30, 2018

SCHEDULE 6

The Charter of the Town of Saint Paul limits the Legal Debt Margin to 10% of the assessed value of real estate within the Town limits.

Assessed value of real estate		<u>\$ 1,357,472,079</u>
Legal debt limit, 10% of assessed value		135,747,208
Total bonded debt:	\$ 6,724,827	
Less: Water and Sewer revenue bonds	<u>(6,184,827)</u>	
Net bonded debt		<u>540,000</u>
Legal Debt Margin		<u><u>\$ 135,207,208</u></u>