

TOWN OF SAINT PAUL, VIRGINIA

AUDIT REPORT

Year Ended June 30, 2017

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June 30, 2017

TOWN COUNCIL:

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

TOWN OFFICERS:

Debora Baca, Town Treasurer
James "Bo" Phillips, 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.**

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

Founded 1948

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**612 Trent Street
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Phone: (276) 679-2780
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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, 2017, 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, 2017, 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 on page 55 the Schedules of Required Supplementary Information, including, the Schedule of Funding Progress, the Schedule of Changes in the Net Pension liability and Related Ratios, Schedule of Contributions, and Notes to the Required Supplemental Information, on pages 56 through 59, 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 March 12, 2018 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
March 12, 2018

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, 2017, 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 March 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2017, 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 March 12, 2018.

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.
Certified Public Accountants

Norton, Virginia
March 12, 2018

TOWN OF SAINT PAUL, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2017

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, 2017

EXHIBIT I

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 4,850,248	\$ 1,063,010	\$ 5,913,258	164,727
Receivables:				
Taxes	21,469	-	21,469	-
Accounts	34,095	156,644	190,739	-
Other	14,705	561	15,266	1,464,975
Internal Balances	102,278	(102,278)	-	-
Land and Improvements Held for Resale				373,659
Due from other governmental units	182,141	-	182,141	158,832
Prepaid expenses	-	-	-	-
Restricted Assets:				
Cash	58,551	151,171	209,722	164,273
Capital assets, depreciable, net	1,285,778	14,269,325	15,555,103	-
Capital assets, non-depreciable	212,919	829,355	1,042,274	162,171
TOTAL ASSETS	6,762,184	16,367,788	23,129,972	2,488,637
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension-items related to measurement of net pension liability	69,182	28,258	97,440	-
Deferred pension-contributions after measurement date	48,132	19,660	67,792	-
Total Deferred Outflows of Resources	117,314	47,918	165,232	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,879,498	\$ 16,415,706	\$ 23,295,204	\$ 2,488,637
LIABILITIES				
Accounts payable	\$ 46,454	\$ 471,725	\$ 518,179	\$ 621,571
Accrued liabilities and wages	7,296	2,795	10,091	-
Due to other Governments	159,932	-	159,932	-
Payable From Restricted Assets:				
Deposits	-	10,600	10,600	-
Matured revenue interest	282	6,022	6,304	-
OPEB Liability	106,104	56,879	162,983	-
Long-term liabilities				
Net pension liability	472,178	192,861	665,039	-
Due within one year	69,202	268,536	337,738	-
Due in more than one year	17,484	5,461,874	5,479,358	\$ 1,149,426
Compensated absences				
Due within one year	16,306	14,527	30,833	-
Due in more than one year	24,458	21,790	46,248	-
Total Liabilities	919,696	6,507,609	7,427,305	1,770,997
DEFERRED INFLOWS OF RESOURCES				
Deferred pension related inflows	-	-	-	-
Dominion Diffuser Agreement Advance	-	1,536,539	1,536,539	-
Total Deferred Inflows of Resources	-	1,536,539	1,536,539	-
NET POSITION				
Net investment in capital assets	1,412,011	9,368,270	10,780,281	162,171
Restricted	58,551	-	58,551	-
Unrestricted	4,489,240	(996,712)	3,492,528	555,469
Total Net Position	\$ 5,959,802	\$ 8,371,558	\$ 14,331,360	\$ 717,640
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 6,879,498	\$ 16,415,706	\$ 23,295,204	\$ 2,488,637

The accompanying notes are an integral part of the financial statements

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF ACTIVITIES
June 30, 2017

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	\$ 855,220	\$ -	\$ -	\$ 990,949	\$ 135,729	\$ -	\$ 135,729	-
Public safety	482,846	-	33,768	4,028	(445,050)	-	(445,050)	-
Public works	522,307	25	1,031	-	(521,251)	-	(521,251)	-
Parks, recreation, and cultural	248,909	28,114	-	-	(220,795)	-	(220,795)	-
Community development	1,207,745	-	-	12,878	(1,194,867)	-	(1,194,867)	-
Interest on long-term debt	2,279	-	-	-	(2,279)	-	(2,279)	-
Total Governmental Activities	3,319,306	28,139	34,799	1,007,855	(2,248,513)	-	(2,248,513)	-
Business-Type Activities:								
Enterprise	1,451,364	1,061,891	-	145,529	-	(243,944)	(243,944)	-
Total Business-Type Activities	1,451,364	1,061,891	-	145,529	-	(243,944)	(243,944)	-
TOTAL PRIMARY GOVERNMENT	\$ 4,770,670	\$ 1,090,030	\$ 34,799	\$ 1,153,384	\$ (2,248,513)	\$ (243,944)	\$ (2,492,457)	
COMPONENT UNIT:								
Industrial Development Authority	\$ 1,015,321	\$ -	\$ -	\$ 989,849	\$ -	\$ -	\$ -	\$ (25,472)
General Revenues:								
Property taxes					2,532,194	-	2,532,194	-
Local sales & use tax					49,413	-	49,413	-
Utility tax					54,441	-	54,441	-
Business license tax					116,861	-	116,861	-
Lodging taxes					3,646	-	3,646	-
Motor vehicle license					40	-	40	-
Bank stock tax					35,864	-	35,864	-
Cigarette tax					23,187	-	23,187	-
Restaurant food tax					251,846	-	251,846	-
Coal road improvement tax					16,754	-	16,754	-
Unrestricted intergovernmental revenue					9,307	-	9,307	-
Unrestricted investment earnings					36,314	12,544	48,858	119
Rental of Town property					4,460	-	4,460	-
Gain on sale of assets					(96,442)	(13,042)	(109,484)	-
Recovered Costs					-	-	-	-
Transfers-Primay Government					-	53,086	53,086	-
Other					19,988	1,068	21,056	-
Total general revenues and transfers					3,057,873	53,656	3,111,529	119
Change in net position					809,360	(190,288)	619,072	(25,353)
NET POSITION - JULY 1					5,150,442	8,574,888	13,725,330	742,993
NET POSITION - JUNE 30					\$ 5,959,802	\$ 8,384,600	\$ 14,344,402	\$ 717,640

TOWN OF SAINT PAUL, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2017

EXHIBIT 3

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 4,847,555	\$ 2,693	\$ 4,850,248
Receivables:			
Taxes	21,469	-	21,469
Accounts	34,095	-	34,095
Other	14,705	-	14,705
Prepaid expenses	-	-	-
Due From other funds	104,278	-	104,278
Due from other governmental units	182,141	-	182,141
Restricted Assets:			
Cash	58,551	-	58,551
Total Assets	<u>\$ 5,262,794</u>	<u>\$ 2,693</u>	<u>\$ 5,265,487</u>
LIABILITIES			
Accounts payable	46,454	-	46,454
Accrued payroll and related liabilities	7,296	-	7,296
Due to Other Governments	159,932	-	159,932
Due to Other Funds	-	2,000	2,000
Total Liabilities	<u>213,682</u>	<u>2,000</u>	<u>215,682</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	20,861	-	20,861
Total Deferred Inflows of Resources	<u>20,861</u>	<u>-</u>	<u>20,861</u>
FUND BALANCES			
Non-Spendable	104,278	-	104,278
Restricted	58,551	-	58,551
Committed	16,883	693	17,576
Assigned	-	-	-
Unassigned	4,848,539	-	4,848,539
Total Fund Balances	<u>5,028,251</u>	<u>693</u>	<u>5,028,944</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 5,262,794</u>	<u>\$ 2,693</u>	<u>\$ 5,265,487</u>
 Total Fund Balances	 <u>\$ 5,028,944</u>		
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.	1,498,697		
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	20,861		
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(147,150)		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(86,686)		
GASB Statement No. 68 requires the recognition of net pension liability and deferred inflows and outflows related to pensions. The amounts do not use current financial resources and are not reported in the funds.	<u>(354,864)</u>		
Net Position of Governmental Activities	<u>\$ 5,959,802</u>		

The accompanying notes are an integral part of the financial statements

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2017

EXHIBIT 4

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES:			
General property taxes	\$ 2,526,098	\$ -	\$ 2,526,098
Other local taxes	552,052	-	552,052
Permits, privilege fees and regulatory licenses	720	-	720
Fines and forfeitures	3,325	-	3,325
Revenue from use of money and property	40,767	6	40,773
Charges for services	28,139	-	28,139
Miscellaneous	14,443	1	14,444
Recovered costs	-	-	-
Intergovernmental	1,051,961	-	1,051,961
Total Revenues	<u>4,217,505</u>	<u>7</u>	<u>4,217,512</u>
EXPENDITURES:			
Current:			
General government administration	829,397	-	829,397
Public safety	452,630	-	452,630
Public works	508,464	-	508,464
Parks, recreation and cultural	161,173	-	161,173
Community development	1,207,745	-	1,207,745
Debt Service:			
Principle retirement	106,155	-	106,155
Interest	2,755	-	2,755
Total Expenditures	<u>3,268,319</u>	<u>-</u>	<u>3,268,319</u>
Excess (Deficiency) of Revenues Over Expenditures	949,186	7	949,193
OTHER FINANCING SOURCES (USES):			
Sale of property	172,439	-	172,439
Insurance recoveries	1,500	-	1,500
Loan proceeds	-	-	-
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	173,939	-	173,939
Net Change in Fund Balance	1,123,125	7	1,123,132
FUND BALANCE AT JULY 1	<u>3,905,126</u>	<u>686</u>	<u>3,905,812</u>
FUND BALANCE AT JUNE 30	<u>\$ 5,028,251</u>	<u>\$ 693</u>	<u>\$ 5,028,944</u>

TOWN OF SAINT PAUL, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

EXHIBIT 5

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	\$ 1,123,132
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	(189,660)
Depreciation expense	<u>(213,320)</u>
	(402,980)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,096
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	106,155
Proceeds from debt	-
Proceeds from capital lease	<u>-</u>
	106,155
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	476
Compensated absences	9,525
Other post-employment benefits	<u>(8,962)</u>
	1,039
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	48,132
Pension expense	<u>(72,214)</u>
	(24,082)
Change in Net Position of Governmental Activities	<u>809,360</u>

TOWN OF SAINT PAUL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

EXHIBIT 6

	Business-Type Activities Proprietary Funds
	Enterprise Operations
ASSETS	
Cash and cash equivalents	\$ 1,063,010
Receivables (Net of Allowance for Uncollectibles):	
Accounts	156,644
Accrued interest	561
Grant Receivable	-
Prepaid expenses	-
Internal receivables	-
Restricted Assets:	
Cash	151,171
Capital assets, non-depreciable	829,355
Capital assets, depreciable, net	14,269,325
TOTAL ASSETS	16,470,066
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension-items related to measurement of net pension liability	28,258
Deferred pension-contributions after measurement date	19,660
Total Deferred Outflows of Resources	47,918
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,517,984
LIABILITIES	
Current liabilities:	
Accounts payable	471,725
Accrued wages and liabilities	2,795
Payable From Restricted Assets:	
Customer deposits	10,600
Accrued interest payable	6,022
Due to Other Funds	102,278
Internal payables	-
Revenue bond payable	268,536
Compensated absences	14,527
Total Current Liabilities	876,483
Noncurrent liabilities:	
Revenue bond payable	5,461,874
Net Pension Liability	192,861
OPEB Liability	56,879
Compensated absences	21,790
Total Noncurrent Liabilities	5,733,404
Total Liabilities	6,609,887
DEFERRED INFLOWS OF RESOURCES	
Deferred pension related inflows	-
Dominion Diffuser Agreement Advance	1,536,539
Total Deferred Inflows of Resources	1,536,539
NET POSITION	
Net investment in capital assets	9,368,270
Restricted	-
Unrestricted (deficit)	(996,712)
Total Net Position	8,371,558
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 16,517,984

TOWN OF SAINT PAUL, VIRGINIA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2017

EXHIBIT 7

	PROPRIETARY FUNDS
	Enterprise Operations
OPERATING REVENUES:	
Water rents	610,821
Sewer rents	335,785
Garbage services	77,564
Penalties	8,144
Other income	29,577
	<hr/>
Total Operating Revenues	1,061,891
	<hr/>
OPERATING EXPENSES:	
Personal services	298,363
Fringe benefits	168,693
Contractual services	15,722
Other charges	308,145
Depreciation and amortization	506,526
	<hr/>
Total Operating Expenses	1,297,449
	<hr/>
Operating Income (Loss)	(235,558)
	<hr/>
NON-OPERATING REVENUES (EXPENSES) :	
Connection fees	1,068
Grant revenue	145,529
Intermunicipal Agreements	53,086
Gain (loss) disposal of asset	(13,042)
Interest income	12,544
Interest expense	(166,957)
	<hr/>
Total Non-Operating Revenue (Expenses)	32,228
	<hr/>
CHANGE IN NET POSITION	(203,330)
	<hr/>
NET POSITION AT JULY 1	8,574,888
	<hr/>
NET POSITION AT JUNE 30	\$ 8,371,558
	<hr/> <hr/>

TOWN OF SAINT PAUL, VIRGINIA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2017

EXHIBIT 8

	PROPRIETARY FUNDS Enterprise Operations
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,027,872
Cash payments to suppliers for goods and services	(321,629)
Cash payments to employees for services	(266,465)
Other operating income	29,577
NET CASH PROVIDED BY OPERATING ACTIVITIES	469,355
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Increase (decrease) in customer deposits	(300)
(Increase) decrease in due from other funds	-
Increase (decrease) in due to other funds	100,000
Operating transfers from other funds	-
Operating transfers to other funds	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	99,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
(Increase) decrease in capital assets	(31,140)
(Increase) decrease in construction in progress	(422,364)
Principal paid on revenue bond maturities and equipment contracts	(259,377)
Principal advances from bond and note proceeds	-
Intermunicipal funding	53,086
Contributed capital - Grant revenue	102,673
Connection fees collected	1,068
Interest paid on revenue bonds and equipment contracts	(167,023)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(723,077)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	12,536
NET CASH PROVIDED BY INVESTING ACTIVITIES	12,536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(141,486)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,355,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,214,181
Cash and Cash Equivalents at June 30, 2017	
Unrestricted	\$ 1,063,010
Restricted	151,171
	\$ 1,214,181
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (235,558)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	506,526
Provision for compensated absences	6,988
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	(4,442)
(Increase) decrease in deferred outflows	(10,956)
Increase (decrease) in accounts payable	217,693
Increase (decrease) in Net Pension Liability	40,102
Increase (decrease) in OPEB liability	4,496
Increase (decrease) in deferred inflow of resources	(46,248)
Increase (decrease) in wages payable and payroll liabilities	(9,246)
TOTAL ADJUSTMENTS	704,913
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 469,355

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, 2017**

EXHIBIT 9

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,029
Capital asset, depreciable, net	<u>2,137</u>
TOTAL ASSETS	<u>3,166</u>
<u>NET POSITION</u>	
Funds held for Johnnie Ramy Memorial Fund	<u><u>\$ 3,166</u></u>

TOWN OF SAINT PAUL, VIRGINIA
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2017

EXHIBIT 10

	<u>Agency Fund</u>
Additions	
Donations	\$ -
Interest income	<u>2</u>
Total additions	<u>2</u>
Deductions	
Operating deductions	<u>-</u>
Total deductions	<u>-</u>
Change in net position	2
Net position - beginning of year	<u>3,164</u>
Net position - end of year	<u>\$ 3,166</u>

TOWN OF SAINT PAUL, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT-INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2017

EXHIBIT 11

ASSETS

Cash and cash equivalents	\$ 164,727
Due from Other Governmental Units	158,832
Land and Improvements Held for Resale	373,659
Restricted Cash	164,273
Notes Receivable	1,464,975
Capital assets, net	<u>162,171</u>
Total Assets	<u>\$ 2,488,637</u>

LIABILITIES

Accounts payable	\$ 621,571
Notes Payable	<u>1,149,426</u>
Total Liabilities	<u>1,770,997</u>

Net Position

Net Investment in Capital Assets	162,171
Unrestricted	<u>555,469</u>
Total Net Position	<u>\$ 717,640</u>

TOWN OF SAINT PAUL, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT-INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2017

EXHIBIT 12

	<u>Total</u>
REVENUES:	
Property sales	\$ -
Cost of Property sold	-
Total Operating Revenues	<u>-</u>
EXPENDITURES:	
Easements	-
Consulting	500
Staff Expense	1,800
Donations	100
Contributions-Other	989,685
Board Expense	840
Insurance	2,617
Engineering & Surveying	-
Legal and Accounting	4,381
Forgiveness of Debt	5,000
Property Improvements Expense	3,411
Depreciation Expense	4,787
Travel	390
Office Expense	238
Meals	335
Dues & Fees	230
Advertising & Promotions	800
Miscellaneous	207
Origination Fee	-
Total Expenditures	<u>1,015,321</u>
Operating (Loss) Income	(1,015,321)
NON-OPERATING REVENUES (EXPENSES) :	
Contribution Income	989,849
Interest Income-Investments	119
Interest Income-Note Receivable	-
Total Non-Operating Revenue (Expenses)	<u>989,968</u>
CHANGE IN NET POSITION	(25,353)
NET POSITION AT JULY 1 as restated	<u>742,993</u>
NET POSITION AT JUNE 30	<u><u>\$ 717,640</u></u>

June 30, 2017

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, 2017

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, license, 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, 2017

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, 2017.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017.

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, 2017 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, 2017

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, 2017

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 an inflow of resources (revenue) until a future period.

Employer pension contributions made after the net pension liability measurement date of June 30, 2016 and prior to the reporting date of June 30, 2017, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2017. 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, 2016 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 day 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, 2017

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 \$20,843 at June 30, 2017, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	<u>\$ 2,386</u>
Total General Fund	<u>\$ 2,386</u>
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	<u>\$ 18,457</u>
Total Water and Sewer Fund	<u>\$ 18,457</u>

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).

Concentration of Credit Risk:

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

Miner's Exchange	23%
First Bank & Trust	12%
Carter Bank	63%

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2017, 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	1,529,454
Investments	<u>4,593,028</u>
	<u>\$ 6,122,980</u>

Statement of net position:

Cash and cash equivalents	\$5,913,258
Investments	-
Restricted cash and cash equivalents	<u>209,722</u>
	<u>\$6,122,980</u>

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

4. 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.

5. DUE FROM OTHER GOVERNMENTAL UNITS

Federal Government:

Virginia Department of Transportation	4,650
Department of Motor Vehicles	1,698
Appalachian Regional Commission	<u>\$ 159,932</u>

Total Federal Government \$ 166,280

Commonwealth of Virginia:

Local sales tax	<u>\$ 11,109</u>
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Total Commonwealth of Virginia 11,109

Wise and Russell Counties:

Coal haul road taxes	\$ 4,248
Court fines/transfer fees	<u>504</u>
Total Wise County	<u>4,752</u>
Total Due From Other Governmental Units	<u>\$182,141</u>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

6. INTERFUND OBLIGATIONS

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water/Sewer Fund	\$ 102,278	-
Veteran's Memorial Fund	2,000	-
Water/Sewer Fund:		
General Fund	-	102,278
Veteran's Memorial Fund:		
General Fund	-	2,000
Totals	<u>\$ 104,278</u>	<u>\$ 104,278</u>

7. CAPITAL ASSETS

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

Governmental activities:	
General government	\$ 14,088
Public safety	32,549
Public works	62,500
Parks, recreation and cultural	80,018
Community Development	24,302
Special Revenue Fund	<u>3,250</u>
Total depreciation expense – governmental activities	<u>\$ 216,707</u>
Business-type activities:	
Water and sewer	<u>\$ 506,526</u>
Total depreciation expense – business-type activity	<u>\$ 506,526</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	\$1,835,131	\$ 4,594	\$ (34,590)	\$1,805,135
Equipment	1,336,037	65,369	-	1,401,406
Special Revenue Fund	<u>30,055</u>	<u>-</u>	<u>-</u>	<u>30,055</u>
Total Capital Assets, depreciable	<u>3,201,223</u>	<u>69,963</u>	<u>(34,590)</u>	<u>3,236,596</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 875,642	\$ 85,595	\$ (3,387)	\$ 957,850
Equipment	845,207	127,862	-	973,069
Special Revenue Fund	<u>16,649</u>	<u>3,250</u>	<u>-</u>	<u>19,899</u>
Total accumulated depreciation	<u>1,737,498</u>	<u>216,707</u>	<u>(3,387)</u>	<u>1,950,818</u>
Total Capital Assets, depreciable, net	<u>\$1,463,725</u>	<u>\$ (146,743)</u>	<u>\$ (31,203)</u>	<u>\$1,285,778</u>

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	-	-	17,083,441
Equipment	1,063,130	31,141	(20,288)	1,073,983
Total Capital Assets, depreciable	19,015,295	31,141	(20,288)	19,026,148
Less accumulated depreciation for				
Buildings	\$ 853,108	\$ 406	\$ -	\$ 853,514
Improvements	2,757,820	448,564	-	3,206,384
Equipment	646,615	57,556	(7,246)	696,925
Total accumulated depreciation	4,257,543	506,526	(7,246)	4,756,823
Total Capital Assets, depreciable, net	\$14,757,752	\$ (475,385)	\$ (13,042)	\$14,269,325

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	\$ 395,978	\$ -	\$ (237,678)	\$ 158,300
Construction in progress	41,974	12,645	-	54,619
Total Capital Assets, Non-depreciable	\$ 437,952	\$ 12,645	\$ (237,678)	\$ 212,919

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 92,500	\$ -	\$ -	\$ 92,500
Constructions in progress	314,491	422,364	-	736,855
Total Capital Assets, Non-depreciable	\$ 406,991	\$ 422,364	\$ -	\$ 829,355

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 \$40,764 in the General Fund and \$36,317 in the Water and Sewer Fund.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

10. FUND BALANCES—GOVERNMENTAL FUNDS

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:			
Due from other funds	\$ 104,278	\$ —	\$ 104,278
Restricted:			
Parks & Recreation	58,551	—	58,551
Committed:			
Lake Estonoa	16,883	—	16,883
General Administrative	—	—	—
Community Development	—	693	693
Assigned:	—	—	—
Unassigned	4,848,539	—	4,848,539
Total fund balances	\$ 5,028,251	\$ 693	\$ 5,028,944

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 OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has no item that meets this criterion.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

The Town has deferred inflows comprised of the following:

Deferred Property Tax Revenue:

Deferred inflows representing uncollected tax billings not available for funding of current expenditures totaled \$20,861 at June 30, 2017.

Deferred Dominion Diffuser Agreement

Deferred inflows 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, 2017 was \$1,536,539.

Pension-Related Deferred Inflows/Outflows:

As of June 30, 2017, the Town reported deferred outflows of resources comprised of employer pension-related contributions made subsequent to the measurement date of June 30, 2016 in the amount of \$67,792. Pension-related deferred outflows of resources resulting from items related to the measurement of net pension liability amounted to \$97,440. Pension-related deferred inflows of resources resulting from net differences between projected and actual earnings on plan investments amounted to \$0.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. LONG-TERM DEBT

The annual requirements to amortize all debt outstanding as of June 30, 2017, 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
2018	\$ 12,309	\$ -	\$ 1,827	\$ -	\$ 157,361	\$ 73,053	6,651	\$ -
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	-
2023-2027	61,545	-	9,134	-	981,595	170,473	33,256	-
2028-2032	61,545	-	9,134	-	570,490	24,210	33,256	-
2033-2037	6,156	-	1,826	-	-	-	33,256	-
2038-2042	-	-	-	-	-	-	23,281	-
2043-2047	-	-	-	-	-	-	-	-
2048-2052	-	-	-	-	-	-	-	-
2053-2057	-	-	-	-	-	-	-	-
Total	\$ 190,791	\$ -	\$ 29,229	\$ -	\$ 2,390,812	\$ 508,024	\$ 156,304	\$ -

Year Ending June 30,	Water & Sewer Loan		Sewer Bond		Sewer Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 55,971	\$ 42,121	\$ 4,698	\$ 5,706	\$ 29,719	\$ 44,129	\$ 268,536	\$ 165,009
2019	58,688	39,403	4,799	5,605	30,471	43,377	277,135	156,409
2020	61,537	36,554	4,902	5,502	31,242	42,606	286,047	147,496
2021	64,525	33,567	5,007	5,397	32,032	41,816	295,286	138,258
2022	67,657	30,434	5,114	5,290	32,842	41,006	304,862	128,682
2023-2027	369,151	95,106	27,266	24,754	177,094	192,146	1,659,041	482,479
2028-2032	235,895	18,749	30,320	21,700	200,648	168,592	1,141,288	233,251
2033-2037	-	-	33,716	18,304	227,334	141,906	302,288	160,210
2038-2042	-	-	37,492	14,528	257,570	111,670	318,343	126,198
2043-2047	-	-	41,691	10,329	291,827	77,413	333,518	87,742
2048-2052	-	-	46,360	5,660	330,640	38,600	377,000	44,260
2053-2057	-	-	29,785	940	137,281	3,430	167,066	4,370
Total	\$ 913,424	\$ 295,934	\$ 271,150	\$ 123,715	\$ 1,778,700	\$ 946,691	\$ 5,730,410	\$ 1,874,364

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, 2017:

	Balance 7/1/2016	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2017
Business-Type Activities:				
Revenue bonds	\$ 5,021,513	\$ -	\$ (204,527)	\$ 4,816,986
Notes payable	968,274	-	(54,850)	913,424
Net Pension Liability	152,759	40,102	-	192,861
OPEB	52,383	4,496	-	56,879
Accrued Compensated Absences	29,329	25,442	(18,454)	36,317
Total	\$ 6,224,258	\$ 70,040	\$ (277,831)	\$ 6,016,467
Governmental Activities:				
Capital lease	\$ 192,841	\$ -	\$ (106,155)	\$ 86,686
Net Pension Liability	392,810	79,368	-	472,178
OPEB	97,142	8,962	-	106,104
Accrued Compensated Absences	50,289	36,401	(45,926)	40,764
Total	\$ 733,082	\$ 124,731	\$ (152,081)	\$ 705,732

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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. \$ 2,390,812

\$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. 156,304

\$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. 190,791

\$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. 29,229

\$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. 271,150

\$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. 913,424

\$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. 1,778,700

TOTAL ENTERPRISE FUNDS LONG-TERM DEBT

\$ 5,730,410

13. LEASE OBLIGATIONS

The Town of St. Paul has one lease obligation outstanding at June 30, 2017.

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, 2018	69,202
June 30, 2019	17,484
Total	<u>\$ 86,686</u>

June 30, 2017

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 pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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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June 30, 2017

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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</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. Employees are eligible for 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>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</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.</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.</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

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>benefits for hazardous duty employees</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.</p>	<p>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.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

		<p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<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 contribution 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. </p>

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

		Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	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 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%.	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.	Service Retirement Multiplier <u>Defined Benefit Component:</u> 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: 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.	Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Political subdivisions hazardous duty employees: Age 60.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

<p>benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • 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>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (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</p>

TOWN OF SAINT PAUL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.

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TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 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>9</u>
Inactive members:	
Vested inactive members	2
Non-vested Inactive members	4
Inactive members active elsewhere in VRS	<u>13</u>
Total inactive members	19
Active members	<u>20</u>
Total covered employees	<u><u>48</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, 2017 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 \$ 67,792 and \$ 65,638 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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, 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 – 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.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

15. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, 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, 2018, 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, 2018 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, 2017

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, 2015	\$ 2,532,270	\$ 1,986,701	\$ 545,569
Changes for the year:			
Service Cost	73,571	-	73,571
Interest	174,959	-	174,959
Differences between expected and actual experience	7,440	-	7,440
Contributions - employer	-	65,638	(65,638)
Contributions - employee	-	35,856	(35,856)
Net investment income	-	36,222	(36,222)
Benefit payments, including refunds of employee contributions	(65,698)	(65,698)	-
Administrative expenses	-	(1,201)	1,201
Other changes	-	(15)	15
Net changes	190,272	70,802	119,470
Balance at June 30, 2016	\$ 2,722,542	\$ 2,057,503	\$ 665,039

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	\$ 1,035,567	\$ 665,039	\$ 356,580

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017, the Town recognized pension expense of \$107,464. At June 30, 2017, 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	\$ 43,481	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	53,959	-
Employer contributions subsequent to the measurement date	67,792	-
Total	<u>\$ 165,232</u>	<u>\$ -</u>

\$67,792 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, 2017. 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

2016	\$ 33,853
2017	11,917
2018	30,857
2019	20,813
Thereafter	-
	<u>\$ 97,440</u>

Payables to the Pension Plan

At June 30, 2017, the Town reported a payable of \$9,455 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

16. OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town of St. Paul adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. Recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

The Town meets the requirements to use the alternative measurement method and elects to use the alternative measurement method.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2017, the Town's annual OPEB costs of \$8,962 for governmental activities and \$4,496 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 18,423	\$ 9,242	\$27,665
Interest on net OPEB obligation	1,801	904	2,705
Adjustment to annual required contribution	(4,847)	(2,431)	(7,278)
Annual OPEB cost	\$ 15,377	\$ 7,715	\$23,092
Contributions made (Age Adjusted)	(6,415)	(3,219)	(9,634)
Increase in net OPEB obligation	8,962	4,496	13,458
Net OPEB obligation-beginning of year	97,142	52,383	149,525
Net OPEB obligation-end of year	<u>\$ 106,104</u>	<u>\$ 56,879</u>	<u>\$ 162,983</u>

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 8,962	0%	\$ 106,104
June 30, 2016	\$ 15,549	0%	\$ 97,142
June 30, 2015	\$ 17,544	0%	\$ 87,856
June 30, 2014	\$ 17,544	0%	\$ 70,311
June 30, 2013	\$ 17,544	0%	\$ 52,767

TOWN OF SAINT PAUL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

16. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Town's annual OPEB cost for business-type activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 4,496	0%	\$ 56,879
June 30, 2016	\$ 8,373	0%	\$ 52,383
June 30, 2015	\$ 9,512	0%	\$ 47,381
June 30, 2014	\$ 9,512	0%	\$ 37,870
June 30, 2013	\$ 9,512	0%	\$ 28,358

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Town of St. Paul, Virginia

Activity Type	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental	\$ -0-	\$ 117,166	\$ 117,166	0.00%	\$ 559,885	20.93%
Business-type	\$ -0-	\$ 63,089	\$ 63,089	0.00%	\$ 301,476	20.93%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

June 30, 2017

16. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 61 which is the historical average age of retirement for employees of the Town. Active employees age 61 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 3.0 and an investment rate of return of 3.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 20 years. The remaining amortization period at June 30, 2017 is 12 years.

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.

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.

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2017, the Town had not designated any funding for the OPEB liability.

17. 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.

18. SUBSEQUENT EVENTS

On November 1, 2017 the Town secured a loan from the Virginia Resources Authority as Administrator of the Virginia Tobacco Region Revolving Fund for \$540,000 at 2.63% interest for a 15 year term, with the first interest payment being due July 1, 2018. The loan was for the purpose of community development.

June 30, 2017

19. **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. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. 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, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement became effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement became effective for the year ending June 30, 2017.

20. **FUTURE ACCOUNTING PRONOUNCEMENTS**

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 will adopt this Statement for fiscal year ending June 30, 2018.

June 30, 2017

20. ***FUTURE ACCOUNTING PRONOUNCEMENTS (continued)***

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. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

GASB Statement 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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. This Statement will be effective for the 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. This Statement will be effective for the year ending June 30, 2018.

GASB Statement 87, *Lease*, increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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, 2017

EXHIBIT 13

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
General property taxes	\$ 2,474,565	\$ 2,530,565	\$ 2,526,098	\$ (4,467)
Other local taxes	526,850	528,850	552,052	23,202
Permits, privilege fees and regulatory licenses	2,400	900	720	(180)
Fines and forfeitures	15,000	9,500	3,325	(6,175)
Revenue from use of money and property	12,800	12,800	40,767	27,967
Charges for services	20,200	20,200	28,139	7,939
Miscellaneous	11,250	11,250	14,443	3,193
Recovered costs	-	-	-	-
Intergovernmental	2,218,516	2,217,516	1,051,961	(1,165,555)
Total Revenues	<u>5,281,581</u>	<u>5,331,581</u>	<u>4,217,505</u>	<u>(1,114,076)</u>
EXPENDITURES:				
General government administration	884,294	861,994	829,397	32,597
Public safety	478,191	479,991	452,630	27,361
Public works	461,394	491,394	508,464	(17,070)
Parks, recreation and cultural	135,276	146,826	161,173	(14,347)
Community development	2,336,965	2,361,565	1,207,745	1,153,820
Non-departmental	856,000	859,850	-	859,850
Debt Service	105,461	105,961	108,910	(2,949)
Total Expenditures	<u>5,257,581</u>	<u>5,307,581</u>	<u>3,268,319</u>	<u>2,039,262</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	1,000	1,000	172,439	171,439
Insurance recoveries	-	-	1,500	1,500
Loan proceeds	-	-	-	-
Transfers in (out)	(25,000)	(25,000)	-	25,000
Prior Year Suplus	-	-	-	-
Total Other Financing Sources (Uses)	<u>(24,000)</u>	<u>(24,000)</u>	<u>173,939</u>	<u>197,939</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,123,125</u>	<u>\$ 1,123,125</u>

TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS- PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2017

PENSION						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	2,098,206	2,715,157	616,951	77.28%	735,332	83.90%
June 30, 2015	1,926,639	2,539,223	612,584	75.88%	732,836	83.59%
June 30, 2014	1,699,485	2,352,208	652,723	72.25%	674,349	96.79%
June 30, 2013	1,489,664	2,112,269	622,605	70.52%	665,132	93.61%
June 30, 2012	1,373,337	1,989,805	616,468	69.02%	613,047	100.56%
June 30, 2011	1,312,928	1,851,205	538,277	70.92%	560,247	96.08%
June 30, 2010	1,228,031	1,701,086	473,055	72.19%	537,367	88.03%
June 30, 2009	1,162,099	1,470,251	308,152	79.04%	481,860	63.95%
June 30, 2008	1,086,624	1,241,511	154,887	87.52%	439,980	35.20%
June 30, 2007	932,173	1,231,885	299,712	75.67%	417,600	71.77%

OTHER POST-EMPLOYMENT BENEFITS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2017	-	180,255	180,255	0.00%	861,361	20.93%
June 30, 2014	-	180,255	180,255	0.00%	726,671	24.81%
June 30, 2011	-	151,050	151,050	0.00%	643,663	23.47%

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, 2017

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

**TOWN OF SAINT PAUL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2017**

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 67,792	\$ 67,792	\$ -	\$ 714,694	9.49%
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%
2008	\$ 70,444	\$ 70,444	\$ -	\$ 439,980	16.01%
2007	\$ 65,180	\$ 65,180	\$ -	\$ 417,600	15.61%

TOWN OF SAINT PAUL, VIRGINIA
Notes to Required Supplemental Information
For the Year Ended June 30, 2017

Change of benefit terms - There have been no actuarially material changes to the Town's 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, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

All Others (Non 10 Largest) - LEOS

- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

SCHEDULE I
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	\$ 2,476,000	\$ 2,486,543	\$ 10,543
Real and personal public service corporation property taxes	-	-	-	-
Personal property taxes	53,885	53,885	38,563	(15,322)
Penalties and interest	680	680	992	312
Total General Property Taxes	<u>2,474,565</u>	<u>2,530,565</u>	<u>2,526,098</u>	<u>(4,467)</u>
Other Local Taxes:				
Local sales and use taxes	54,000	54,000	49,413	(4,587)
Cigarette taxes	19,000	19,000	23,187	4,187
Utility taxes	48,000	50,000	54,441	4,441
Business licenses taxes	123,800	123,800	116,861	(6,939)
Motor vehicle licenses	50	50	40	(10)
Bank stock taxes	27,000	27,000	35,864	8,864
Hotel and motel room taxes	2,000	2,000	3,646	1,646
Restaurant food taxes	228,000	228,000	251,846	23,846
Coal road improvement taxes	25,000	25,000	16,754	(8,246)
Total Other Local Taxes	<u>526,850</u>	<u>528,850</u>	<u>552,052</u>	<u>23,202</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>2,400</u>	<u>900</u>	<u>720</u>	<u>(180)</u>
Fines and Forfeitures	<u>15,000</u>	<u>9,500</u>	<u>3,325</u>	<u>(6,175)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	8,000	8,000	36,307	28,307
Revenue from use of property	4,800	4,800	4,460	(340)
Total Revenue From Use of Money and Property	<u>12,800</u>	<u>12,800</u>	<u>40,767</u>	<u>27,967</u>
Charges For Services:				
Charges for sanitation and waste removal	200	200	25	(175)
Charges for parks and recreation	-	-	-	-
Swimming pool	20,000	20,000	28,114	8,114
Total Charges For Services	<u>20,200</u>	<u>20,200</u>	<u>28,139</u>	<u>7,939</u>
Miscellaneous Revenue	<u>11,250</u>	<u>11,250</u>	<u>14,443</u>	<u>3,193</u>
Recovered Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue From Local Sources	<u>\$ 3,063,065</u>	<u>\$ 3,114,065</u>	<u>\$ 3,165,544</u>	<u>\$ 51,479</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

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	\$ 150	\$ 150	\$ 75	\$ (75)
Rolling stock taxes	6,000	6,000	5,567	(433)
Assistance to localities with police departments	23,766	23,766	23,768	2
Total Non-Categorical Aid	29,916	29,916	29,410	(506)
Other Categorical Aid:				
State Aid - Emergency Services	-	-	-	-
Litter control	1,000	1,000	1,031	31
Financial assistance to the arts	1,000	1,000	-	(1,000)
Community Revitalization	-	-	-	-
IRF-Grant	600,000	600,000	600,000	-
VDOT-Grant	735,000	735,000	-	(735,000)
Farmers Market-EBT Grant	-	-	-	-
VDH-Healthy Bucks Grant	1,000	-	-	-
Fire programs fund	9,000	9,000	10,000	1,000
Total Other Categorical Aid	1,347,000	1,346,000	611,031	(734,969)
Total Revenue From The Commonwealth	1,376,916	1,375,916	640,441	(735,475)
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	3,600	3,600	3,665	65
Total Payment in Lieu of Taxes	3,600	3,600	3,665	65
Categorical Aid:				
DMV Grants	4,000	4,000	4,028	28
ARC Grant Revenue	500,000	500,000	390,949	(109,051)
Library Grant	-	-	-	-
Department of Forestry Grant	3,000	3,000	-	(3,000)
TVA-Reimbursement	2,000	2,000	-	(2,000)
Transportation Enhancement Grant	325,000	325,000	12,878	(312,122)
LLEBG-Block Grant	4,000	4,000	-	(4,000)
Total Categorical Aid	838,000	838,000	407,855	(430,145)
Total Revenue From The Federal Government	841,600	841,600	411,520	(430,080)
Prior Years Surplus	-	-	-	-
TOTAL GENERAL FUND	5,281,581	5,331,581	4,217,505	(1,114,076)
SPECIAL REVENUE FUNDS:				
Veteran's Memorial Wal				
Revenue From Local Sources:				
Revenue from Use of Money and Property:	-	-	6	6
Transfers in (out)	-	-	-	-
Miscellaneous	-	-	1	1
Total Revenue Veteran's Memorial Wall	-	-	7	7
Total Special Revenue Funds	-	-	7	7
GRAND TOTALS - REVENUES - GOVERNMENTAL FUNDS	\$ 5,281,581	\$ 5,331,581	\$ 4,217,512	\$(1,114,069)

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, 2017

SCHEDULE 2
Page 1

	Original Budget	Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Mayor	\$ 1,200	\$ 1,200	\$ 4,800	\$ (3,600)
Total Legislative	<u>1,200</u>	<u>1,200</u>	<u>4,800</u>	<u>(3,600)</u>
General and Financial Administration:				
Salaries and Wages	143,592	143,592	136,943	6,649
Payroll taxes	10,644	10,644	10,577	67
Health insurance	39,912	39,912	40,936	(1,024)
Retirement	38,978	19,978	17,916	2,062
Insurance-Worker's Compensation	200	200	495	(295)
Other Employee Benefits	1,478	1,478	1,627	(149)
Legal fees	50,000	50,000	48,011	1,989
Accounting	13,800	13,800	12,325	1,475
Audit expense	12,500	13,250	13,250	-
Dues, Licenses & Fees	3,000	4,600	1,540	3,060
Advertising	1,990	4,990	4,351	639
Computer Software	7,000	7,000	7,695	(695)
Insurance-General Liability	3,200	3,200	3,188	12
Insurance-Bond Coverage	400	400	293	107
Miscellaneous	32,000	31,350	16,555	14,795
Supplies & Equipment	10,500	10,500	12,079	(1,579)
Town Election Expense	-	-	-	-
Telephone	7,000	7,000	7,963	(963)
Travel, Lodging & Entertainment	18,000	18,000	6,634	11,366
Tax Ticket Preparation	1,000	1,000	577	423
Tax Credit-WC IDA	480,000	477,000	476,044	956
Cigarette Tax Costs	2,900	2,900	5,598	(2,698)
Capital Outlay	5,000	-	-	-
Total General and Financial Administration	<u>883,094</u>	<u>860,794</u>	<u>824,597</u>	<u>36,197</u>
Total General Government Administration	<u>884,294</u>	<u>861,994</u>	<u>829,397</u>	<u>32,597</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Salaries and Wages	232,451	232,451	259,966	(27,515)
Payroll taxes	18,130	18,130	19,745	(1,615)
Health insurance	62,610	62,610	60,595	2,015
Retirement	18,984	18,984	17,792	1,192
Insurance-Worker's Compensation	9,000	10,800	9,264	1,536
Other Employee benefits	2,766	2,766	2,640	126
Uniforms	2,000	2,000	3,050	(1,050)
Legal Fees	4,800	4,800	5,671	(871)
Dues, Licenses & Fees	500	500	50	450
Liability Insurance	3,000	3,000	3,188	(188)
Materials and Supplies	14,000	14,000	12,114	1,886
Materials and Supplies-Christmas Toy Drive	1,000	1,000	5,253	(4,253)
Training and Education	2,650	2,650	6,042	(3,392)
Telephone	14,000	14,000	2,916	11,084
Utilities	7,000	7,000	5,809	1,191
Miscellaneous	8,700	8,700	2,718	5,982
Vehicle Expense	49,000	49,000	25,440	23,560
Line of Duty expense	2,300	2,300	3,223	(923)
Capital Outlay	5,000	5,000	-	5,000
Total Law Enforcement and Traffic Control	<u>457,891</u>	<u>459,691</u>	<u>445,476</u>	<u>14,215</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

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	1,900	1,900	1,695	205
Insurance	5,700	5,700	5,405	295
Fire programs	12,000	12,000	-	12,000
Supplies	700	700	54	646
Utilities	-	-	-	-
Miscellaneous	-	-	-	-
Total Fire and Rescue Services	<u>20,300</u>	<u>20,300</u>	<u>7,154</u>	<u>13,146</u>
Total Public Safety	<u>478,191</u>	<u>479,991</u>	<u>452,630</u>	<u>27,361</u>
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Salaries and Wages	185,501	185,501	221,906	(36,405)
Payroll taxes	14,529	14,529	16,581	(2,052)
Health insurance	66,528	72,528	73,721	(1,193)
Retirement	17,958	17,958	19,215	(1,257)
Insurance-Worker's Compensation	15,000	22,000	19,285	2,715
Other employee benefits	2,208	2,208	2,596	(388)
Uniforms	7,800	7,800	8,257	(457)
Litter Control	1,000	1,000	-	1,000
Materials & Supplies	14,000	14,000	16,366	(2,366)
Telephone	1,000	1,000	548	452
Utilities	29,000	32,000	32,541	(541)
Vehicle expense	36,500	40,500	33,221	7,279
Capital Outlay	51,430	61,430	48,330	13,100
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>442,454</u>	<u>472,454</u>	<u>492,567</u>	<u>(20,113)</u>
Maintenance of General Buildings and Grounds:				
Wages-Custodial	7,640	7,640	6,174	1,466
Materials & Supplies	5,000	5,000	4,570	430
Insurance-Buildings and Property	6,300	6,300	5,153	1,147
Capital Outlay	-	-	-	-
Total Maintenance of General Buildings and Grounds	<u>18,940</u>	<u>18,940</u>	<u>15,897</u>	<u>3,043</u>
Total Public Works	<u>461,394</u>	<u>491,394</u>	<u>508,464</u>	<u>(17,070)</u>
Parks, Recreation and Cultural:				
Salaries and Wages	22,000	22,000	32,601	(10,601)
Payroll Taxes	1,826	1,826	2,750	(924)
Insurance-Worker's Compensation	1,400	2,100	1,717	383
Miscellaneous	25,800	25,800	27,128	(1,328)
Concessions	10,000	10,000	14,659	(4,659)
Maintenance & Repairs	20,000	25,500	31,754	(6,254)
Materials & supplies	5,100	9,100	13,650	(4,550)
Telephone	700	700	1,392	(692)
Utilities	13,900	13,900	14,174	(274)
Capital Outlay	12,000	12,000	2,598	9,402
Total Parks and Recreation	<u>112,726</u>	<u>122,926</u>	<u>142,423</u>	<u>(19,497)</u>

TOWN OF SAINT PAUL, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

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	9,482	(482)
Civic-Little League	1,000	1,000	904	96
Miscellaneous	2,800	4,150	4,264	(114)
Total Cultural Enrichment	<u>14,800</u>	<u>16,150</u>	<u>14,650</u>	<u>1,500</u>
Library:				
Payments to regional library	<u>7,750</u>	<u>7,750</u>	<u>4,100</u>	<u>3,650</u>
Total Parks, Recreation and Cultural	<u>135,276</u>	<u>146,826</u>	<u>161,173</u>	<u>(14,347)</u>
Community Development:				
Lake Estonoa Learning Center	20,500	20,500	24,923	(4,423)
Farmers Market	6,000	5,000	4,763	237
VDOT Streetscape Expense	325,000	325,000	12,645	312,355
VDOT Revenue Sharing	735,000	735,000	-	735,000
Contributions-IDA-Willis	1,200,000	1,200,000	1,091,249	108,751
Community development	50,465	76,065	74,165	1,900
Total Planning and Community Development	<u>2,336,965</u>	<u>2,361,565</u>	<u>1,207,745</u>	<u>1,153,820</u>
Total Community Development	<u>2,336,965</u>	<u>2,361,565</u>	<u>1,207,745</u>	<u>1,153,820</u>
Non-Departmental				
Contingency	<u>856,000</u>	<u>859,850</u>	<u>-</u>	<u>859,850</u>
Total Non-Departmental	<u>856,000</u>	<u>859,850</u>	<u>-</u>	<u>859,850</u>
Debt Service:				
Principal retirement	102,261	102,761	106,155	\$ (3,394)
Interest	3,200	3,200	2,755	445
Total Debt Service	<u>105,461</u>	<u>105,961</u>	<u>108,910</u>	<u>(2,949)</u>
TOTAL GENERAL FUND	<u>5,257,581</u>	<u>5,307,581</u>	<u>3,268,319</u>	<u>2,039,262</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$5,257,581</u>	<u>\$5,307,581</u>	<u>\$3,268,319</u>	<u>\$ 2,039,262</u>
OTHER FINANCING RESOURCES (USES):				
Sale of property	1,000	1,000	172,439	171,439
Insurance recoveries	-	-	1,500	1,500
Loan proceeds	-	-	-	-
Transfers in (out)	(25,000)	(25,000)	-	25,000
Total Other Financing Sources (Uses)	<u>(24,000)</u>	<u>(24,000)</u>	<u>173,939</u>	<u>197,939</u>
Net Increase (Decrease) in General Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,123,125</u>	<u>\$ 1,123,125</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>5,233,581</u>	<u>5,283,581</u>	<u>3,442,258</u>	<u>2,237,201</u>
Net Increase (Decrease) in Governmental Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,123,132</u>	<u>\$ 1,123,132</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, 2017

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	631,300	631,300	610,821	\$ (20,479)
Sewer Services	346,582	346,582	335,785	(10,797)
Garbage Services	90,000	90,000	77,564	(12,436)
Penalties	7,000	7,000	8,144	1,144
Other Income	400	400	29,576	29,176
TOTAL OPERATING REVENUES	<u>1,075,282</u>	<u>1,075,282</u>	<u>1,061,890</u>	<u>(13,392)</u>
OPERATING EXPENSES:				
Water Department:				
Salaries & Wages	145,056	145,056	144,147	909
Payroll Taxes	11,253	11,253	10,795	458
Retirement	13,646	13,646	29,529	(15,883)
Insurance - Health	39,677	39,677	40,823	(1,146)
Insurance - Workmens Compensation	5,000	5,000	5,073	(73)
Contractual	-	-	-	-
Audit Fees	1,250	1,250	-	1,250
Chemicals	18,000	18,000	30,797	(12,797)
Miscellaneous	8,920	8,920	31,283	(22,363)
Fuel, Oil & Gas	1,200	1,200	1,200	-
Insurance-Buildings & Property	9,400	9,400	6,005	3,395
Insurance-Vehicles	5,100	5,100	4,753	347
Licenses, Permits & Fees	5,500	5,500	6,856	(1,356)
Loan Expenses	18,959	18,959	-	18,959
Office Equipment & Supplies	11,700	11,700	20,972	(9,272)
Postage	3,200	3,200	3,047	153
Repairs & Maintenance	36,000	36,000	25,976	10,024
Utilities	61,100	61,100	50,733	10,367
Uniforms	5,800	5,800	9,106	(3,306)
Capital Outlay	646,730	646,730	-	646,730
TOTAL WATER DEPARTMENT	<u>1,047,491</u>	<u>1,047,491</u>	<u>421,095</u>	<u>626,396</u>
Sewer Department:				
Salaries & Wages	84,807	84,807	95,739	(10,932)
Payroll Taxes	6,546	6,546	7,191	(645)
Retirement	7,122	7,122	8,265	(1,143)
Insurance - Health	15,310	15,310	16,322	(1,012)
Insurance - Workmens Compensation	1,700	1,700	1,345	355
Contract Labor	-	-	-	-
Audit Fees	1,500	1,500	-	1,500
Miscellaneous	1,500	1,500	6,327	(4,827)

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, 2017

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	2,300	2,300	2,044	256
Licenses, Permits & Fees	3,200	3,200	561	2,639
Materials & Supplies	8,515	8,515	11,567	(3,052)
Repairs & Maintenance	53,100	53,100	40,939	12,161
Utilities	39,000	39,000	43,269	(4,269)
Testing	16,000	16,000	8,951	7,049
Capital Outlay	1,448,000	1,448,000	-	1,448,000
TOTAL SEWER DEPARTMENT	<u>1,688,600</u>	<u>1,688,600</u>	<u>242,520</u>	<u>1,446,080</u>
Garbage Department:				
Salaries & Wages	47,715	47,715	58,476	(10,761)
Payroll Taxes	3,754	3,754	4,304	(550)
Retirement	5,248	5,248	8,557	(3,309)
Insurance - Health	38,837	38,837	37,610	1,227
Insurance - Workmens Compensation	1,000	1,000	3,032	(2,032)
Fuel, Oil & Gas	17,018	17,018	14,464	2,554
Materials & Supplies	200	200	-	200
Repairs & Maintenance	200	200	865	(665)
TOTAL GARBAGE DEPARTMENT	<u>113,972</u>	<u>113,972</u>	<u>127,308</u>	<u>(13,336)</u>
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	<u>2,850,063</u>	<u>2,850,063</u>	<u>790,923</u>	<u>2,059,140</u>
Depreciation Expense	-	-	506,526	(506,526)
TOTAL OPERATING EXPENSES	<u>2,850,063</u>	<u>2,850,063</u>	<u>1,297,449</u>	<u>1,552,614</u>
OPERATING INCOME (LOSS)	<u>(1,774,781)</u>	<u>(1,774,781)</u>	<u>(235,559)</u>	<u>1,539,222</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	8,000	8,000	12,544	4,544
Interest Expense	-	-	(166,957)	(166,957)
Connection Fees	2,100	2,100	1,068	(1,032)
Gain/(Loss) from Asset Disposal	-	-	(13,042)	(13,042)
Loan Proceeds	1,431,730	1,431,730	-	(1,431,730)
Grant and intermunicipal revenue	712,736	712,736	198,616	(514,120)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,154,566</u>	<u>2,154,566</u>	<u>32,229</u>	<u>(2,122,337)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>379,785</u>	<u>379,785</u>	<u>(203,330)</u>	<u>(583,115)</u>
Operating Transfer In (Out)	25,000	25,000	-	(25,000)
Debt Service	(404,785)	(404,785)	-	404,785
Reappropriation of Retained Earnings	-	-	-	-
TOTAL OPERATING TRANSFERS	<u>(379,785)</u>	<u>(379,785)</u>	<u>-</u>	<u>379,785</u>
NET INCOME (LOSS)	<u>-</u>	<u>-</u>	<u>(203,330)</u>	<u>(203,330)</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, 2017

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	OUTSTANDING (1) DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
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%
2009	106,512	101,341	95.15%	485	101,826	95.60%	18,286	17.17%

ASSESSED VALUE OF TAXABLE PROPERTY

FISCAL YEAR	REAL ESTATE TAX RATE: .18 PER \$100			PERSONAL PROPERTY TAX RATE: .31 PER \$100		
	WISE COUNTY	RUSSELL COUNTY	TOTAL REAL ESTATE	WISE COUNTY	RUSSELL COUNTY	TOTAL PERSONAL PROPERTY
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
2009	31,549,900	15,120,740	46,670,640	5,886,944	1,372,816	7,259,760

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:		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES			
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
2008	1,000	46,013	401,291	-	384,067	17,224	0.0004	17.22

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, 2017

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>\$ 1,381,851,152</u>
Legal debt limit, 10% of assessed value		138,185,115
Total bonded debt:	\$ 5,730,410	
Less: Water and Sewer revenue bonds	<u>(5,730,410)</u>	
Net bonded debt		<u>-</u>
Legal Debt Margin		<u><u>\$ 138,185,115</u></u>