

TOWN OF MONTEREY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

**TOWN OF MONTEREY, VIRGINIA
FINANCIAL REPORT
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TOWN OF MONTEREY, VIRGINIA

Financial Report

Year Ended June 30, 2022

MEMBERS OF COUNCIL

Ronald Wimer, Mayor

Jay Garber, Vice Mayor

Denise Botkin

Erik Sax

OFFICIALS

Amy Gaus.....Town Clerk

INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL
TOWN OF MONTEREY, VIRGINIA**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Town of Monterey, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Town of Monterey, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Monterey, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Monterey, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Monterey, Virginia's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2024, on our consideration of Town of Monterey, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Monterey, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Monterey, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 10, 2024

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 493,285	\$ 28,622	\$ 521,907
Receivables (net of allowance for uncollectibles):			
Taxes receivable	8,806	-	8,806
Accounts receivable	2,684	32,092	34,776
Due from other governmental units	787	-	787
Prepaid items	2,565	711	3,276
Capital assets, net of accumulated depreciation:			
Land	37,983	-	37,983
Buildings and improvements	194,234	-	194,234
Infrastructure	8,952	2,999,004	3,007,956
Machinery and equipment	1,773	801	2,574
Construction in progress	-	59,100	59,100
Net capital assets	\$ 242,942	\$ 3,058,905	\$ 3,301,847
Total assets	\$ 751,069	\$ 3,120,330	\$ 3,871,399
LIABILITIES			
Accounts payable	\$ 15,399	\$ 2,765	\$ 18,164
Payroll taxes payable	1,611	-	1,611
Deposits payable	-	1,300	1,300
Accrued interest payable	-	878	878
Long-term liabilities:			
Due within one year	5,174	16,880	22,054
Due in more than one year	114,580	703,192	817,772
Total liabilities	\$ 136,764	\$ 725,015	\$ 861,779
NET POSITION			
Net investment in capital assets	\$ 123,188	\$ 2,338,833	\$ 2,462,021
Unrestricted	491,117	56,482	547,599
Total net position	\$ 614,305	\$ 2,395,315	\$ 3,009,620

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

Town of Monterey, Virginia

Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 45,994	\$ -	\$ 70,551	\$ -
Public safety	15,000	-	15,000	-
Public works	12,724	-	-	-
Community development	638	-	-	-
Interest on long-term debt	6,021	-	-	-
Total governmental activities	<u>\$ 80,377</u>	<u>\$ -</u>	<u>\$ 85,551</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 277,709	\$ 197,778	\$ -	\$ 11,050
Total business-type activities	<u>\$ 277,709</u>	<u>\$ 197,778</u>	<u>\$ -</u>	<u>\$ 11,050</u>
Total primary government	<u>\$ 358,086</u>	<u>\$ 197,778</u>	<u>\$ 85,551</u>	<u>\$ 11,050</u>

General revenues:
 General property taxes
 Other local taxes:
 Local sales and use taxes
 Consumers' utility taxes
 Consumption tax
 Bank stock taxes
 Local lodging taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 Total general revenues
 Change in net position
 Net position - beginning
 Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 24,557	\$ -	\$ 24,557
-	-	-
(12,724)	-	(12,724)
(638)	-	(638)
(6,021)	-	(6,021)
<u>\$ 5,174</u>	<u>\$ -</u>	<u>\$ 5,174</u>
 \$ -	 \$ (68,881)	 \$ (68,881)
<u>\$ -</u>	<u>\$ (68,881)</u>	<u>\$ (68,881)</u>
<u>\$ 5,174</u>	<u>\$ (68,881)</u>	<u>\$ (63,707)</u>
 \$ 72,885	 \$ -	 \$ 72,885
5,951	-	5,951
4,877	-	4,877
1,508	-	1,508
75,878	-	75,878
4,994	-	4,994
5,584	-	5,584
518	-	518
7,381	-	7,381
<u>\$ 179,576</u>	<u>\$ -</u>	<u>\$ 179,576</u>
\$ 184,750	\$ (68,881)	\$ 115,869
429,555	2,464,196	2,893,751
<u>\$ 614,305</u>	<u>\$ 2,395,315</u>	<u>\$ 3,009,620</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
 Governmental Fund
 June 30, 2022

	General Fund
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 493,285
Taxes receivable	8,806
Accounts receivable	2,684
Due from other governmental units	787
Prepaid items	2,565
Total assets	\$ <u>508,127</u>
LIABILITIES	
Accounts payable	\$ 15,399
Payroll taxes payable	1,611
Total liabilities	\$ <u>17,010</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 8,806
Total deferred inflows of resources	\$ <u>8,806</u>
FUND BALANCE	
Nonspendable:	
Prepaid items	\$ 2,565
Unassigned	479,746
Total fund balance	\$ <u>482,311</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ <u>508,127</u>

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

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the statement of net position is different because:

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	482,311
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		242,942
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the fund.		8,806
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.		<u>(119,754)</u>
Net position of governmental activities	\$	<u><u>614,305</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 Year Ended June 30, 2022

	<u>General</u>
REVENUES	
General property taxes	\$ 64,079
Other local taxes	93,208
Revenue from the use of money and property	5,584
Miscellaneous	518
Intergovernmental:	
Commonwealth	22,381
Federal	70,551
Total revenues	\$ <u>256,321</u>
EXPENDITURES	
Current:	
General government administration	\$ 40,441
Public safety	15,000
Public works	9,264
Community development	638
Debt service:	
Principal retirement	6,238
Interest on indebtedness	6,021
Total expenditures	\$ <u>77,602</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>178,719</u>
Net change in fund balance	\$ 178,719
Fund balance - beginning	<u>303,592</u>
Fund balance - ending	<u><u>\$ 482,311</u></u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
Year Ended June 30, 2022

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

Net change in fund balance - total governmental fund	\$ 178,719
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.	(9,013)
General property tax revenues in the statement of activities that do not provide current financial resources are not reported in the fund.	8,806
The issuance of long-term debt (e.g. 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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>6,238</u>
Change in net position of governmental activities	<u>\$ 184,750</u>

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

Statement of Net Position
 Proprietary Fund
 June 30, 2022

	Enterprise Fund
	Water & Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 28,622
Accounts receivable, net of allowance for uncollectibles	32,092
Prepaid items	711
Total current assets	<u>\$ 61,425</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Infrastructure	\$ 2,999,004
Machinery and equipment	801
Construction in progress	59,100
Net capital assets	<u>\$ 3,058,905</u>
Total noncurrent assets	<u>\$ 3,058,905</u>
Total assets	<u>\$ 3,120,330</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,765
Deposits payable	1,300
Accrued interest payable	878
Bonds payable - current portion	16,880
Total current liabilities	<u>\$ 21,823</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	<u>\$ 703,192</u>
Total noncurrent liabilities	<u>\$ 703,192</u>
Total liabilities	<u>\$ 725,015</u>
NET POSITION	
Net investment in capital assets	\$ 2,338,833
Unrestricted	56,482
Total net position	<u>\$ 2,395,315</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended June 30, 2022

	Enterprise Fund
	Water & Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 82,125
Sewer revenues	115,653
Total operating revenues	<u>\$ 197,778</u>
OPERATING EXPENSES	
Personnel services	\$ 54,624
Fringe benefits	13,268
Contractual services	20,785
Sewer plant supplies	12,318
Water plant supplies	1,982
Repairs and maintenance	7,162
Office expense	3,225
Vehicle expenses	2,769
Licenses, permits, dues	4,467
Miscellaneous expenses	3,458
Depreciation	120,531
Total operating expenses	<u>\$ 244,589</u>
Operating income (loss)	<u>\$ (46,811)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenue	
Commonwealth - Water improvement grant	\$ 11,050
Interest and fiscal charges	<u>(33,120)</u>
Total nonoperating revenues (expenses)	<u>\$ (22,070)</u>
Income (loss)	<u>\$ (68,881)</u>
Change in net position	\$ (68,881)
Net position - beginning	2,464,196
Net position - ending	<u><u>\$ 2,395,315</u></u>

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2022

	Enterprise Fund
	Water & Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 193,528
Payments to suppliers	(53,401)
Payments to and for employees	(67,892)
Net cash provided by (used for) operating activities	\$ 72,235
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
ACTIVITIES	
Acquisitions and construction of capital assets	\$ (13,600)
Principal payments on bonds	(16,130)
Water improvement grant	11,050
Interest expense	(32,242)
Net cash provided by (used for) capital and related financing activities	\$ (50,922)
Net increase (decrease) in cash and cash equivalents	\$ 21,313
Cash and cash equivalents - beginning	7,309
Cash and cash equivalents - ending	\$ 28,622
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (46,811)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	120,531
(Increase) decrease in accounts receivable	(3,789)
(Increase) decrease in prepaid items	(711)
Increase (decrease) in accounts payable	2,765
Increase (decrease) in deposits payable	250
Total adjustments	\$ 119,046
Net cash provided by (used for) operating activities	\$ 72,235

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

Town Of Monterey, Virginia

Notes To Financial Statements
June 30, 2022

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. FINANCIAL REPORTING ENTITY:

The financial statements of Town of Monterey, Virginia (the Town) conform with accounting principles generally accepted in the United States of America as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the Town's accounting policies are described below.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town's financial position. There are no separate governmental units that meet the criteria as a component unit.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

C. 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 of accounting*, as are the proprietary 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 government 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable. Sales, which are collected by the state 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. Utility taxes are collected by the utilities and remitted directly to 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* provides maintenance to the water and sewer lines and pump stations and derives the majority of its revenues through user charges and fees.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (CONTINUED)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE:

1) Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2) Property Taxes Receivable

Property taxes are recognized as a receivable when levied as of November 1st and are due on or before December 5th. That portion of the taxes receivable which is not collected within 45 days is shown as unavailable revenue. All unpaid taxes are subject to penalty of 5% after December 6th and 8% if not paid by January 1st of the following year.

Town of Monterey, Virginia

Notes to Financial Statements
June 30, 2022 (Continued)

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE: (CONTINUED)

3) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, lease assets, and infrastructure of the primary government, as well as the component units, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Water and sewer system	20-40 years
Machinery and equipment	3-25 years
Infrastructure	20-30 years
Buildings	40 years

4) Long-term Obligations

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

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. 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.

5) Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE: (CONTINUED)

6) Fund Equity

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." City/County/Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Town establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

7) Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE: (CONTINUED)

8) Net Position Flow Assumption

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

9) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Town did not have any deferred outflows of resources as of June 30, 2022.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

10) Use of Estimates

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

Town of Monterey, Virginia

Notes to Financial Statements
June 30, 2022 (Continued)

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

E. BUDGETARY INFORMATION

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

1. Prior to March 30, the Town Mayor 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 Town Council. The Town Mayor is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.

NOTE 2-DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2022, the Town had no investments.

Town of Monterey, Virginia

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 3-CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 37,983	\$ -	\$ -	\$ 37,983
Total capital assets not being depreciated	\$ 37,983	\$ -	\$ -	\$ 37,983
Capital assets being depreciated:				
Buildings and improvements	\$ 222,121	\$ -	\$ -	\$ 222,121
Infrastructure	30,431	-	-	30,431
Machinery and equipment	14,526	-	-	14,526
Total capital assets being depreciated	\$ 267,078	\$ -	\$ -	\$ 267,078
Accumulated depreciation:				
Buildings and improvements	\$ (22,334)	\$ (5,553)	\$ -	\$ (27,887)
Infrastructure	(19,450)	(2,029)	-	(21,479)
Machinery and equipment	(11,322)	(1,431)	-	(12,753)
Total accumulated depreciation	\$ (53,106)	\$ (9,013)	\$ -	\$ (62,119)
Capital assets being depreciated, net	\$ 213,972	\$ (9,013)	\$ -	\$ 204,959
Net capital assets	\$ 251,955	\$ (9,013)	\$ -	\$ 242,942
	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 45,500	\$ 13,600	\$ -	\$ 59,100
Total capital assets not being depreciated	\$ 45,500	\$ 13,600	\$ -	\$ 59,100
Capital assets being depreciated:				
Infrastructure	\$ 4,765,726	\$ -	\$ -	\$ 4,765,726
Machinery and equipment	61,336	-	-	61,336
Total capital assets being depreciated	\$ 4,827,062	\$ -	\$ -	\$ 4,827,062
Accumulated depreciation:				
Infrastructure	\$ (1,648,505)	\$ (118,217)	\$ -	\$ (1,766,722)
Machinery and equipment	(58,221)	(2,314)	-	(60,535)
Total accumulated depreciation	\$ (1,706,726)	\$ (120,531)	\$ -	\$ (1,827,257)
Capital assets being depreciated, net	\$ 3,120,336	\$ (120,531)	\$ -	\$ 2,999,805
Net capital assets	\$ 3,165,836	\$ (106,931)	\$ -	\$ 3,058,905

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

<u>Governmental activities:</u>	
General government administration	\$ <u>9,013</u>
<u>Business-type activities:</u>	
Water and sewer	\$ <u>120,531</u>

Town of Monterey, Virginia

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 4-LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2022:

	Balance July 1, 2021	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022	Due Within One Year
<u>Governmental activities:</u>					
Direct borrowings and direct placements:					
Mortgage payable	\$ 125,992	\$ -	\$ 6,238	\$ 119,754	\$ 5,174
<u>Business-type activities:</u>					
Direct borrowings and direct placements:					
General obligation bonds:					
Rural Utility Services, \$367,000 bond	\$ 285,241	\$ -	\$ 7,538	\$ 277,703	\$ 7,885
Rural Utility Services, \$520,000 bond	450,961	-	8,592	442,369	8,995
Total direct borrowings and direct placements	\$ 736,202	\$ -	\$ 16,130	\$ 720,072	\$ 16,880

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

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Direct Borrowings and Direct Placements:		Direct Borrowings and Direct Placements:	
	Mortgage Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 5,174	\$ 6,786	\$ 16,880	\$ 31,492
2024	5,463	6,497	17,644	30,728
2025	5,805	6,154	18,442	29,930
2026	6,150	5,810	19,277	29,095
2027	6,515	5,445	20,149	28,223
2028-2032	38,827	20,972	115,275	126,585
2033-2037	51,820	7,976	143,826	98,034
2038-2042	-	-	179,450	62,410
2043-2047	-	-	145,647	23,941
2048-2049	-	-	43,482	1,590
Totals	\$ 119,754	\$ 59,640	\$ 720,072	\$ 462,028

Town of Monterey, Virginia

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 4-LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term indebtedness:

Governmental activities:

Direct Borrowings and Direct Placements:

Mortgage Payable:

Summit Community Bank - \$141,570 loan dated June 23, 2017, monthly payments of \$996.64 including interest of 5.7% per annum and final payment due June 2037. \$ 119,754

Business-type activities:

Direct Borrowings and Direct Placements:

General Obligation Bonds:

U.S. Department of Agriculture - Rural Utilities Services - \$367,000 loan dated October 22, 2003, interest only payable annually for the first two years at 4.5%; thereafter payable in monthly payments of \$1,685 including interest at 4.5% and final payment due on August 1, 2044 \$ 277,703

U.S. Department of Agriculture - Rural Utilities Services - \$520,000 loan dated April 27, 2009, interest only payable annually for the first two years at 4.375%; thereafter payable in monthly payments of \$2,346 including interest at 4.375% and final payment due on April 27, 2049 442,369

Total business-type activities \$ 720,072

NOTE 5-UNAVAILABLE REVENUE:

Unavailable revenue in the fund statements represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$8,806 is comprised of the following:

Unavailable Property Tax Revenue

Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$8,806 at June 30, 2022.

Town of Monterey, Virginia

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 6-INTERFUND TRANSFERS:

Transfers are used to (1) move revenues from the fund that statute of budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. There were no interfund transfers for the year ended June 30, 2022.

NOTE 7-DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2022, amounts due from other governmental units consisted of the following:

Commonwealth of Virginia:	
Communications tax	\$ <u>787</u>
Total	\$ <u><u>787</u></u>

NOTE 8-CONSTRUCTION CONTRACTS OUTSTANDING:

The Town had the following construction contract outstanding as of June 30, 2022:

Project	Original Contract Amount	Amount Spent to Date	Amount of Contract Remaining at Year End
Drinking water supply project	\$ <u>62,500</u>	\$ <u>58,900</u>	\$ <u>3,600</u>
Total	\$ <u><u>62,500</u></u>	\$ <u><u>58,900</u></u>	\$ <u><u>3,600</u></u>

NOTE 9-RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has coverage with the Virginia Municipal Group Self Insurance Association (Association) for all insurable risks identified by the Town. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The Town pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 10-LITIGATION:

At June 30, 2022, there were no matters of litigation involving the Town that would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
Year Ended June 30, 2022

	Budget Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
General property taxes	\$ 54,408	\$ 64,079	\$ 9,671
Other local taxes	82,037	93,208	11,171
Revenue from the use of money and property	4,585	5,584	999
Miscellaneous	580	518	(62)
Intergovernmental:			
Commonwealth	62,837	22,381	(40,456)
Federal	-	70,551	70,551
Total revenues	<u>\$ 204,447</u>	<u>\$ 256,321</u>	<u>\$ 51,874</u>
EXPENDITURES			
Current:			
General government administration	\$ 75,283	\$ 40,441	\$ 34,842
Public safety	17,000	15,000	2,000
Public works	9,219	9,264	(45)
Parks, recreation, and cultural	1,000	-	1,000
Community development	424	638	(214)
Debt service:			
Principal retirement	-	6,238	(6,238)
Interest on indebtedness	-	6,021	(6,021)
Total expenditures	<u>\$ 102,926</u>	<u>\$ 77,602</u>	<u>\$ 25,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 101,521</u>	<u>\$ 178,719</u>	<u>\$ 77,198</u>
Net change in fund balance	\$ 101,521	\$ 178,719	\$ 77,198
Fund balance - beginning	303,592	303,592	-
Fund balance - ending	<u><u>\$ 405,113</u></u>	<u><u>\$ 482,311</u></u>	<u><u>\$ 77,198</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues-Budget and Actual
Governmental Fund
Year Ended June 30, 2022

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 41,619	\$ 41,619	\$ 35,100	\$ (6,519)
Personal property taxes	12,767	12,767	28,965	16,198
Penalties and interest	22	22	14	(8)
Total general property taxes	<u>\$ 54,408</u>	<u>\$ 54,408</u>	<u>\$ 64,079</u>	<u>\$ 9,671</u>
Other local taxes:				
Local sales and use taxes	\$ 3,005	\$ 3,005	\$ 5,951	\$ 2,946
Consumers' utility taxes	8,305	8,305	4,877	(3,428)
Consumption tax	1,617	1,617	1,508	(109)
Bank stock taxes	68,003	68,003	75,878	7,875
Local lodging taxes	1,107	1,107	4,994	3,887
Total other local taxes	<u>\$ 82,037</u>	<u>\$ 82,037</u>	<u>\$ 93,208</u>	<u>\$ 11,171</u>
Intergovernmental:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,585	\$ 1,585	\$ 1,084	\$ (501)
Revenue from use of property	3,000	3,000	4,500	1,500
Total revenue from use of money and property	<u>\$ 4,585</u>	<u>\$ 4,585</u>	<u>\$ 5,584</u>	<u>\$ 999</u>
Miscellaneous:				
Miscellaneous	\$ 580	\$ 580	\$ 518	\$ (62)
Total revenue from local sources	<u>\$ 141,610</u>	<u>\$ 141,610</u>	<u>\$ 163,389</u>	<u>\$ 21,779</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 500	\$ 500	\$ 138	\$ (362)
Motor vehicle rental tax	388	388	-	(388)
Rolling stock tax	13	13	12	(1)
Communications tax	3,944	3,944	4,922	978
Personal property tax relief funds	2,309	2,309	2,309	-
Total noncategorical aid	<u>\$ 7,154</u>	<u>\$ 7,154</u>	<u>\$ 7,381</u>	<u>\$ 227</u>
Categorical aid:				
Fire programs	\$ 25,000	\$ 25,000	\$ 15,000	\$ (10,000)
Other	30,683	30,683	-	(30,683)
Total categorical aid	<u>\$ 55,683</u>	<u>\$ 55,683</u>	<u>\$ 15,000</u>	<u>\$ (40,683)</u>
Total revenue from the Commonwealth	<u>\$ 62,837</u>	<u>\$ 62,837</u>	<u>\$ 22,381</u>	<u>\$ (40,456)</u>
Revenue from the federal government:				
Categorical aid:				
State and local fiscal recovery fund	\$ -	\$ -	\$ 70,551	\$ 70,551
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,551</u>	<u>\$ 70,551</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,551</u>	<u>\$ 70,551</u>
Total General Fund	<u>\$ 204,447</u>	<u>\$ 204,447</u>	<u>\$ 256,321</u>	<u>\$ 51,874</u>

Schedule of Expenditures-Budget and Actual
Governmental Fund
Year Ended June 30, 2022

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town council:				
Personnel services	\$ 4,331	\$ 4,331	\$ 6,750	\$ (2,419)
Other charges	1,387	1,387	951	436
Total legislative	<u>\$ 5,718</u>	<u>\$ 5,718</u>	<u>\$ 7,701</u>	<u>\$ (1,983)</u>
General and financial administration:				
Legal services	\$ 20,075	\$ 20,075	\$ 3,500	\$ 16,575
Finance and administration	39,893	39,893	23,459	16,434
Audit and accounting services	9,597	9,597	5,781	3,816
Total general and financial administration	<u>\$ 69,565</u>	<u>\$ 69,565</u>	<u>\$ 32,740</u>	<u>\$ 36,825</u>
Total general government administration	<u>\$ 75,283</u>	<u>\$ 75,283</u>	<u>\$ 40,441</u>	<u>\$ 34,842</u>
Public safety:				
Fire and rescue services:				
Fire department	\$ 16,000	\$ 16,000	\$ 15,000	\$ 1,000
Rescue squad	1,000	1,000	-	1,000
Total fire and rescue services	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>
Total public safety	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ -	\$ -	\$ 2,794	\$ (2,794)
General buildings and grounds:				
Personnel services	\$ 1,435	\$ 1,435	\$ -	\$ 1,435
Utilities	7,046	7,046	5,918	1,128
Insurance	-	-	165	(165)
General maintenance	738	738	387	351
Total general buildings and grounds	<u>\$ 9,219</u>	<u>\$ 9,219</u>	<u>\$ 6,470</u>	<u>\$ 2,749</u>
Total public works	<u>\$ 9,219</u>	<u>\$ 9,219</u>	<u>\$ 9,264</u>	<u>\$ (45)</u>
Library:				
County library	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Total parks, recreation, and cultural	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
Community development:				
Planning and community development:				
Community development	\$ 424	\$ 424	\$ 638	\$ (214)
Total community development	<u>\$ 424</u>	<u>\$ 424</u>	<u>\$ 638</u>	<u>\$ (214)</u>
Debt Service:				
Principal retirement	\$ -	\$ -	\$ 6,238	\$ (6,238)
Interest on indebtedness	-	-	6,021	(6,021)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,259</u>	<u>\$ (12,259)</u>
Total General Fund	<u>\$ 102,926</u>	<u>\$ 102,926</u>	<u>\$ 77,602</u>	<u>\$ 25,324</u>

COMPLIANCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**TO THE HONORABLE MEMBERS
OF THE TOWN COUNCIL
TOWN OF MONTEREY, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Monterey, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Monterey, Virginia's basic financial statements, and have issued our report thereon dated January 8, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 10, 2024