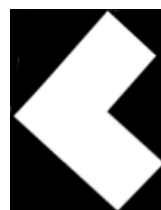


Town of Clarksville, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2022



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

Town of Clarksville, Virginia

Table of Contents

Year Ended June 30, 2022

Pages

FINANCIAL SECTION

Independent Auditor's Report	i-iii
Management's Discussion and Analysis	1-8

Basic Financial Statements

Exhibits

Government-Wide Financial Statements

1	Statement of Net Position	9
2	Statement of Activities	10

Fund Financial Statements

3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13-14
5	Statement of Net Position – Proprietary Funds	15
6	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
7	Statement of Cash Flows – Proprietary Funds	17
	Notes to the Financial Statements	18-57

Required Supplementary Information

Exhibit

8	Budgetary Comparison Schedule – General Fund	58-60
	Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios	61
	Schedule of Employer Contributions	62
	Notes to Required Supplementary Information	63

	Pages
Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Plan	64
Schedule of Employer Contributions – OPEB Group Life Insurance Plan	65
Notes to Required Supplementary Information – OPEB GLI	66

Other Supplementary Information

Schedules

1	Budgetary Comparison Schedule – Special Revenue Funds – Police Asset Forfeiture, Veteran's Memorial, and Cemetery Fund	67-69
2	Combining Balance Sheet – Other Governmental Funds	70
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds	71
4	Economic Development Authority of the Town of Clarksville, Virginia – A Component Unit of the Town of Clarksville, Virginia – Statement of Net Position	72
5	Economic Development Authority of the Town of Clarksville, Virginia – A Component Unit of the Town of Clarksville, Virginia – Statement of Revenues, Expenses, and Changes in Net Position	73
6	Economic Development Authority of the Town of Clarksville, Virginia – A Component Unit of the Town of Clarksville, Virginia – Statement of Cash Flows	74

STATISTICAL SECTION

Table

1	Pledged Revenue Coverage - Water and Sewer Revenue Bonds	75
---	--	----

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	76-77
---	-------

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Clarksville, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clarksville, 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 Clarksville, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clarksville, Virginia, as of 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Clarksville, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and budgetary comparison information and schedules related to pension and OPEB funding on pages 58-60, 61-63, and 64-66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clarksville, Virginia's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and component unit statements, are presented for purposed 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 combining and individual nonmajor fund financial statements and the component unit statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the Town of Clarksville, 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 Clarksville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Clarksville, Virginia's internal control over financial reporting and compliance.



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

South Hill, Virginia
November 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Clarksville, Virginia presents the following discussion and analysis as an overview of the Town of Clarksville, Virginia's financial activities for the fiscal year ending June 30, 2022. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$9,758,867. Of this amount, \$5,214,832 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$4,671,219 with an unrestricted balance of \$1,420,206.
- The Town's total net position increased by \$276,477 during the current fiscal year. Of this amount, an increase of \$382,196 is related to governmental activities and a decrease of \$105,719 is attributed to business-type activities.
- As of June 30, 2022, the Town's Governmental Funds reported combined ending fund balances of \$5,824,016, an increase of \$548,443 in comparison with the prior year. Approximately 96.6% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2022 the general fund unassigned fund balance was \$5,626,767, or approximately 306.1% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Furthermore, the government-wide financial statements include a legally separate entity, the Economic Development Authority of the Town of Clarksville, Virginia, for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

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

The Town has two types of funds:

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

Proprietary Funds – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current and other assets	\$ 7,155,218	\$ 6,019,022	\$ 1,703,502	\$ 1,747,185	\$ 8,858,720	\$ 7,766,207
Other noncurrent assets	-	-	32,360	-	32,360	-
Capital assets (net)	<u>4,612,402</u>	<u>4,861,945</u>	<u>8,689,199</u>	<u>8,926,325</u>	<u>13,301,601</u>	<u>13,788,270</u>
Total Assets	11,767,620	10,880,967	10,425,061	10,673,510	22,192,681	21,554,477
Deferred Outflows of Resources	<u>185,293</u>	<u>234,096</u>	<u>79,414</u>	<u>100,326</u>	<u>264,707</u>	<u>334,422</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,952,913</u>	<u>\$ 11,115,063</u>	<u>\$ 10,504,475</u>	<u>\$ 10,773,836</u>	<u>\$ 22,457,388</u>	<u>\$ 21,888,899</u>
Liabilities						
Other liabilities	\$ 1,292,682	\$ 725,841	\$ 290,420	\$ 382,266	\$ 1,583,102	\$ 1,108,107
Long-term liabilities	<u>500,087</u>	<u>1,010,877</u>	<u>5,312,480</u>	<u>5,613,914</u>	<u>5,812,567</u>	<u>6,624,791</u>
Total Liabilities	1,792,769	1,736,718	5,602,900	5,996,180	7,395,669	7,732,898
Deferred Inflows of Resources	401,277	1,674	230,356	718	631,633	2,392
Net Position						
Net investment in capital assets	4,346,786	4,569,459	3,251,013	3,399,032	7,597,799	7,968,491
Restricted	197,249	194,678	-	-	197,249	194,678
Unrestricted	<u>5,214,832</u>	<u>4,612,534</u>	<u>1,420,206</u>	<u>1,377,906</u>	<u>6,635,038</u>	<u>5,990,440</u>
Total Net Position	<u>9,758,867</u>	<u>9,376,671</u>	<u>4,671,219</u>	<u>4,776,938</u>	<u>14,430,086</u>	<u>14,153,609</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 11,952,913</u>	<u>\$ 11,115,063</u>	<u>\$ 10,504,475</u>	<u>\$ 10,773,836</u>	<u>\$ 22,457,388</u>	<u>\$ 21,888,899</u>

The Town's combined net position at June 30, 2022 of \$14,430,086 represents an increase of \$276,477 from the combined net position at June 30, 2021. The largest portion, 52.65%, of the Town's net position is reflected in its net investment in capital assets (land, buildings, improvements, etc.). The Town uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. 45.98% of total net position is unrestricted and available for providing services to the citizens of the Town and satisfying creditors. The remaining 1.37% of net position is restricted for other special projects.

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program Revenues						
Charges for services	\$ 202,768	\$ 177,630	\$ 1,416,632	\$ 1,351,997	\$ 1,619,400	\$ 1,529,627
Operating grants and contributions	62,338	218,319	-	30,000	62,338	248,319
General Revenues						
General property taxes, real and personal	742,750	1,494,666	-	-	742,750	1,494,666
Other taxes	1,219,224	930,446	-	-	1,219,224	930,446
Categorical aid from state	81,155	84,108	-	-	81,155	84,108
Unrestricted revenues from money and property	44,567	23,370	73	369	44,640	23,739
Miscellaneous	44,839	29,215	12,546	41,743	57,385	70,958
Total Revenues	2,397,641	2,957,754	1,429,251	1,424,109	3,826,892	4,381,863
Expenses						
General government administration	403,192	474,261	-	-	403,192	474,261
Public safety	755,504	841,720	-	-	755,504	841,720
Public works	680,127	758,151	-	-	680,127	758,151
Parks, recreation, and cultural	57,707	63,319	-	-	57,707	63,319
Community development	113,878	113,019	-	-	113,878	113,019
Water and sewer	-	-	1,386,825	1,374,889	1,386,825	1,374,889
Interest on long-term debt	5,037	6,015	148,145	161,349	153,182	167,364
Total Expenses	2,015,445	2,256,485	1,534,970	1,536,238	3,550,415	3,792,723
Increase (Decrease) in Net Position before Transfers	382,196	701,269	(105,719)	(112,129)	276,477	589,140
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Position	382,196	701,269	(105,719)	(112,129)	276,477	589,140
Beginning Net Position	9,376,671	8,675,402	4,776,938	4,889,067	14,153,609	13,564,469
Ending Net Position	\$ 9,758,867	\$ 9,376,671	\$ 4,671,219	\$ 4,776,938	\$ 14,430,086	\$ 14,153,609

Governmental activities increased the Town's net position by \$382,196 for fiscal year 2022. Revenues from governmental activities totaled \$2,397,641. Other local taxes comprise the largest source of these revenues, totaling \$1,219,224 or 50.9% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$2,015,445. Public safety was the Town's largest program with expenses totaling \$755,504. Public works, which totals \$680,127, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 403,192	\$ (403,192)	\$ 474,261	\$ (474,261)
Public safety	755,504	(660,005)	841,720	(606,514)
Public works	680,127	(515,020)	758,151	(601,908)
Parks, recreation, and cultural	57,707	(53,207)	63,319	(58,819)
Community development	113,878	(113,878)	113,019	(113,019)
Interest on long-term debt	<u>5,037</u>	<u>(5,037)</u>	<u>6,015</u>	<u>(6,015)</u>
Total	<u>\$ 2,015,445</u>	<u>\$ (1,750,339)</u>	<u>\$ 2,256,485</u>	<u>\$ (1,860,536)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$5,824,016. The combined governmental fund balance increased \$548,443 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$5,626,767. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 306.1% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 739,836	\$ 739,836	\$ 734,177	\$ 1,239,414	\$ 1,239,414	\$ 1,484,584
Other	923,698	923,698	1,219,224	737,000	737,000	930,446
Permits, privilege fees, and regulatory licenses	1,500	1,500	1,200	1,000	1,000	2,725
Fines and forfeitures	27,000	27,000	37,790	21,500	21,500	22,322
Revenue from use of money and property	32,744	32,744	44,563	33,244	33,244	23,356
Charges for services	159,377	159,377	163,778	154,780	154,780	155,308
Miscellaneous	21,500	21,500	39,714	16,500	16,500	22,855
Intergovernmental	<u>136,191</u>	<u>136,191</u>	<u>143,493</u>	<u>135,870</u>	<u>135,870</u>	<u>302,427</u>
Total Revenues	2,041,846	2,041,846	2,383,939	2,339,308	2,339,308	2,944,023
Expenditures	<u>1,949,069</u>	<u>1,949,069</u>	<u>1,838,067</u>	<u>2,202,719</u>	<u>2,249,352</u>	<u>2,059,516</u>
Excess (Deficiency) of Revenues over Expenditures	92,777	92,777	545,872	136,589	89,956	884,507
Other Financing Sources (Uses)						
Transfers	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance Before Transfer from Surplus	92,777	92,777	545,872	136,589	89,956	884,507
Transfer from Surplus Funds	<u>(92,777)</u>	<u>(92,777)</u>	<u>-</u>	<u>(136,589)</u>	<u>(89,956)</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 884,507</u>

There were no budget amendments during the fiscal year.

Actual revenues were more than final budget amounts by \$342,093, or 16.8%, while actual expenditures were \$111,002, or 5.7% less than final budget appropriations.

Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2022, include the following:

- Other local taxes revenues were over budget by \$295,526.
- Public safety expenditures were over budget by \$48,743.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2022, the Town's governmental activities net capital assets total \$4,612,402, which represents a net decrease of \$249,543 or 5.1% over the previous fiscal year-end balance. The business-type activities net capital assets total \$8,689,199, a decrease of \$237,126 or 2.7% over the previous fiscal year as summarized in the following table.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2021</u>		<u>Net Additions and Deletions</u>		<u>Balance June 30, 2022</u>
Land and land improvements	\$ 1,089,609	\$	-	\$	1,089,609
Buildings and improvements	6,134,082		-		6,134,082
Furniture, equipment, and vehicles	2,447,064		-		2,447,064
Total Capital Assets	9,670,755		-		9,670,755
Less: Accumulated depreciation and amortization	(4,808,810)		(249,543)		(5,058,353)
Total Capital Assets, Net	<u>\$ 4,861,945</u>	\$	<u>(249,543)</u>	\$	<u>4,612,402</u>

Business-Type Activities

	<u>Balance July 1, 2021</u>		<u>Net Additions and Deletions</u>		<u>Balance June 30, 2022</u>
Land and land improvements	\$ 61,409	\$	-	\$	61,409
Buildings and systems	16,917,333		168,737		17,086,070
Furniture, equipment, and vehicles	354,847		-		354,847
Total Capital Assets	17,333,589		168,737		17,502,326
Less: Accumulated depreciation and amortization	(8,407,264)		(405,863)		(8,813,127)
Total Capital Assets, Net	<u>\$ 8,926,325</u>	\$	<u>(237,126)</u>	\$	<u>8,689,199</u>

Long-Term Debt

As of June 30, 2022 the Town's long-term obligations total \$5,703,802.

	<u>Balance July 1, 2021</u>		<u>Net Additions and Deletions</u>		<u>Balance June 30, 2022</u>
Governmental Activities					
General Fund	\$ 292,486	\$	(26,870)	\$	265,616
Total Governmental Activities	292,486		(26,870)		265,616
Business-Type Activities					
Water Fund	2,571,142		(64,685)		2,506,457
Sewer Fund	2,956,151		(24,422)		2,931,729
Total Business-Type Activities	5,527,293		(89,107)		5,438,186
Total Primary Government	<u>\$ 5,819,779</u>	\$	<u>(115,977)</u>	\$	<u>5,703,802</u>

More detailed information on the Town's long-term obligations is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget.

The average unemployment rate for the Town of Clarksville, Virginia in June 2022, which uses Mecklenburg County's rate, was 3.3%. This compares unfavorably to the state's rate of 2.9% and favorably to the national rate of 3.8%.

The estimate in April 2020 by the University of Virginia Weldon Cooper Center is a population of 1,139.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2023, which accounts for most of the Town's operational costs. The fiscal year 2023 adopted budget anticipates General Fund revenues and expenditures to be \$3,313,360, a 62.3% increase over the fiscal year 2022 final budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Tara Murphy, Treasurer/Clerk, Town of Clarksville, Virginia, P. O. Box 1147, Clarksville, Virginia 23927, telephone 434-374-8177, or visit the Town's website at www.clarksvilleva.org.

BASIC FINANCIAL STATEMENTS

Town of Clarksville, Virginia

Statement of Net Position

At June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	EDA of the Town of Clarksville, VA
Assets				
Current Assets				
Cash and cash equivalents	\$ 6,459,419	\$ 1,480,928	\$ 7,940,347	\$ 1,149,891
Receivables	79,753	189,407	269,160	-
Lease interest receivable	-	217	217	78,057
Due from other funds	3,859	-	3,859	-
Due from other governments	604,872	-	604,872	-
Leases receivable	7,315	32,950	40,265	-
Total Current Assets	7,155,218	1,703,502	8,858,720	1,227,948
Noncurrent asset - lease receivable	-	32,360	32,360	3,089,907
Capital Assets				
Land and land improvements	1,089,609	61,409	1,151,018	608,386
Other capital assets, net of accumulated depreciation	3,522,793	8,627,790	12,150,583	31,088
Capital Assets, Net	4,612,402	8,689,199	13,301,601	639,474
Total Assets	11,767,620	10,425,061	22,192,681	4,957,329
Deferred Outflows of Resources				
Other post-employment benefits	13,106	5,618	18,724	-
Pension	172,187	73,796	245,983	-
Total Deferred Outflows of Resources	185,293	79,414	264,707	-
Total Assets and Deferred Outflows of Resources	\$ 11,952,913	\$ 10,504,475	\$ 22,457,388	\$ 4,957,329
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	\$ 61,561	\$ 26,657	\$ 88,218	\$ 1,500
Customer deposits	-	24,548	24,548	-
Due to other funds	-	3,859	3,859	-
Unearned grants	1,209,744	-	1,209,744	-
Total Current Liabilities	1,271,305	55,064	1,326,369	1,500
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and other	21,377	235,356	256,733	-
<i>Due in more than one year</i>				
Net pension liability	216,729	92,884	309,613	-
Net other post-employment benefits liability	39,119	16,766	55,885	-
Bonds, loans, and other	244,239	5,202,830	5,447,069	302,582
Total Long-term Liabilities	521,464	5,547,836	6,069,300	302,582
Total Liabilities	1,792,769	5,602,900	7,395,669	304,082
Deferred Inflows of Resources				
Other post-employment benefits	14,987	6,424	21,411	-
Leases	7,098	61,420	68,518	3,039,809
Pension	379,192	162,512	541,704	-
Total Deferred Inflows of Resources	401,277	230,356	631,633	3,039,809
Net Position				
Net investment in capital assets	4,346,786	3,251,013	7,597,799	336,892
Restricted	197,249	-	197,249	-
Unrestricted	5,214,832	1,420,206	6,635,038	1,276,546
Total Net Position	9,758,867	4,671,219	14,430,086	1,613,438
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 11,952,913	\$ 10,504,475	\$ 22,457,388	\$ 4,957,329

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

Town of Clarksville, Virginia
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit EDA of the Town of Clarksville, VA
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government administration	\$ 403,192	\$ -	\$ -	\$ -	\$ (403,192)		\$ (403,192)	\$ -
Public safety	755,504	38,990	56,509	-	(660,005)		(660,005)	-
Public works	680,127	163,778	1,329	-	(515,020)		(515,020)	-
Parks, recreation, and cultural	57,707	-	4,500	-	(53,207)		(53,207)	-
Community development	113,878	-	-	-	(113,878)		(113,878)	-
Interest on long-term debt	5,037	-	-	-	(5,037)		(5,037)	-
Total Governmental Activities	2,015,445	202,768	62,338	-	(1,750,339)		(1,750,339)	-
Business-Type Activities								
Water	788,915	606,138	-	-		(182,777)	(182,777)	-
Sewer	746,055	810,494	-	-		64,439	64,439	-
Total Business-Type Activities	1,534,970	1,416,632	-	-		(118,338)	(118,338)	-
Total Primary Government	\$ 3,550,415	\$ 1,619,400	\$ 62,338	\$ -			(1,868,677)	
Component Unit								
EDA of the Town of Clarksville, VA	\$ 105,520	\$ -	\$ -	\$ -				(105,520)
General Revenues								
Taxes								
General property taxes, real and personal					742,750	-	742,750	-
Other local taxes					1,219,224	-	1,219,224	-
Grants and contributions not restricted to specific programs					81,155	-	81,155	-
Unrestricted revenues from use of money and property					44,567	73	44,640	278,155
Miscellaneous					44,839	12,546	57,385	2,348
Transfers								
Total General Revenues and Transfers					2,132,535	12,619	2,145,154	280,503
Change in Net Position					382,196	(105,719)	276,477	174,983
Net Position - Beginning of Year					9,376,671	4,776,938	14,153,609	1,438,455
Net Position - End of Year					\$ 9,758,867	\$ 4,671,219	\$ 14,430,086	\$ 1,613,438

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

Town of Clarksville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 6,262,170	\$ 197,249	\$ 6,459,419
Property taxes receivable	52,799	-	52,799
Leases receivable	7,315	-	7,315
Other receivables	26,954	-	26,954
Due from other governments	604,872	-	604,872
Due from other funds	<u>3,859</u>	<u>-</u>	<u>3,859</u>
Total Assets	<u>\$ 6,957,969</u>	<u>\$ 197,249</u>	<u>\$ 7,155,218</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 61,561	\$ -	\$ 61,561
Unearned revenue - ARPA grants	<u>1,209,744</u>	<u>-</u>	<u>1,209,744</u>
Total Liabilities	1,271,305	-	1,271,305
Deferred Inflows of Resources			
Unavailable revenue property taxes	52,799	-	52,799
Leases	<u>7,098</u>	<u>-</u>	<u>7,098</u>
Total Deferred Inflows of Resources	59,897	-	59,897
Fund Balance			
Restricted	-	197,249	197,249
Unassigned	<u>5,626,767</u>	<u>-</u>	<u>5,626,767</u>
Total Fund Balance	<u>5,626,767</u>	<u>197,249</u>	<u>5,824,016</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,957,969</u>	<u>\$ 197,249</u>	<u>\$ 7,155,218</u>

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

Town of Clarksville, Virginia

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

At June 30, 2022

Total Fund Balances for Governmental Funds	\$ 5,824,016
--	--------------

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,089,609
Buildings and improvements, net of accumulated depreciation	3,270,985
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>251,808</u>

Total Capital Assets	4,612,402
----------------------	-----------

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue	52,799
---------------------	--------

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pension	172,187
Deferred outflows of resources related to OPEB	13,106
Deferred inflows of resources related to pension	(379,192)
Deferred inflows of resources related to OPEB	<u>(14,987)</u>

Total Deferred Outflows and Inflows of Resources	(208,886)
--	-----------

Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(265,616)
Net pension liability	(216,729)
Net other post-employment liability	<u>(39,119)</u>

Total	<u>(521,464)</u>
-------	------------------

Total Net Position of Governmental Activities	<u><u>\$ 9,758,867</u></u>
---	----------------------------

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

Town of Clarksville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 734,177	\$ -	\$ 734,177
Other local taxes	1,219,224	-	1,219,224
Permits, privilege fees, and regulatory licenses	1,200	-	1,200
Fines and forfeitures	37,790	-	37,790
Use of money and property	44,563	4	44,567
Charges for services	163,778	-	163,778
Miscellaneous	39,714	5,125	44,839
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	136,279	-	136,279
Revenue from the Federal Government	7,214	-	7,214
Total Revenues	2,383,939	5,129	2,389,068
Expenditures			
Current			
General government administration	336,025	-	336,025
Public safety	722,939	-	722,939
Public works	660,707	-	660,707
Parks, recreation, and cultural	49,211	2,558	51,769
Community development	37,278	-	37,278
Debt service	31,907	-	31,907
Total Expenditures	1,838,067	2,558	1,840,625
Excess (Deficiency) of Revenues Over Expenditures	545,872	2,571	548,443
Fund Balance - Beginning of Year	5,080,895	194,678	5,275,573
Fund Balance - End of Year	<u>\$ 5,626,767</u>	<u>\$ 197,249</u>	<u>\$ 5,824,016</u>

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

Town of Clarksville, Virginia

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

Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 548,443

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

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

Capitalized assets	\$ -	
Depreciation	(249,543)	
		(249,543)

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

8,568

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

Repayments on debt	26,870	
Net Adjustment		26,870

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

Net pension liability	472,208	
Deferred inflows - pension	(379,191)	
Deferred outflows - pension	(46,996)	
Deferred outflows - OPEB	(1,804)	
Deferred inflows - OPEB	(13,313)	
Other postemployment benefits	16,954	
		47,858

Change in Net Position of Governmental Activities \$ 382,196

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

Town of Clarksville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2022

	<u>Water Fund</u>	<u>Business-Type Activities - Enterprise Funds Sewer Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 793,489	\$ 687,439	\$ 1,480,928
Interest receivable - leases	217	-	217
Leases receivable - current	32,950	-	32,950
Accounts receivable	<u>72,657</u>	<u>116,750</u>	<u>189,407</u>
Total Current Assets	899,313	804,189	1,703,502
Noncurrent Assets			
Leases receivable, net of current portion	32,360	-	32,360
Capital assets, net	<u>3,385,889</u>	<u>5,303,310</u>	<u>8,689,199</u>
Total Noncurrent Assets	<u>3,418,249</u>	<u>5,303,310</u>	<u>8,721,559</u>
Total Assets	4,317,562	6,107,499	10,425,061
Deferred Outflows of Resources			
Other post-employment benefits	2,622	2,996	5,618
Pension	<u>34,438</u>	<u>39,358</u>	<u>73,796</u>
Total Deferred Outflows	<u>37,060</u>	<u>42,354</u>	<u>79,414</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,354,622</u>	<u>\$ 6,149,853</u>	<u>\$ 10,504,475</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 4,844	\$ 21,813	\$ 26,657
Due to general fund	2,037	1,822	3,859
Customer deposits	24,548	-	24,548
Short-term portion of debt	<u>69,860</u>	<u>165,496</u>	<u>235,356</u>
Total Current Liabilities	101,289	189,131	290,420
Noncurrent Liabilities			
Long-term portion of debt	2,436,597	2,766,233	5,202,830
Net pension liability	43,346	49,538	92,884
Net other post-employment benefits liability	<u>7,824</u>	<u>8,942</u>	<u>16,766</u>
Total Noncurrent Liabilities	<u>2,487,767</u>	<u>2,824,713</u>	<u>5,312,480</u>
Total Liabilities	2,589,056	3,013,844	5,602,900
Deferred Inflows of Resources			
Other post-employment benefits	2,998	3,426	6,424
Leases	61,420	-	61,420
Pension	<u>75,839</u>	<u>86,673</u>	<u>162,512</u>
Total Deferred Inflows	140,257	90,099	230,356
Net Position			
Net investment in capital assets	879,432	2,371,581	3,251,013
Unrestricted	<u>745,877</u>	<u>674,329</u>	<u>1,420,206</u>
Total Net Position	<u>1,625,309</u>	<u>3,045,910</u>	<u>4,671,219</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,354,622</u>	<u>\$ 6,149,853</u>	<u>\$ 10,504,475</u>

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

Town of Clarksville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2022

	<u>Water Fund</u>	<u>Business-Type Activities - Enterprise Funds Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 557,169	\$ 810,494	\$ 1,367,663
Lease revenues	35,224	-	35,224
Penalties	13,745	-	13,745
Miscellaneous	<u>9,095</u>	<u>3,451</u>	<u>12,546</u>
Total Operating Revenues	615,233	813,945	1,429,178
Operating Expenses			
Town Manager	16,859	17,019	33,878
Administration	49,176	46,513	95,689
Line maintenance	149,755	84,598	234,353
Water treatment	288,800	252,950	541,750
Waste water treatment	27,125	-	27,125
Lift stations	-	48,167	48,167
Depreciation	<u>179,584</u>	<u>226,279</u>	<u>405,863</u>
Total Operating Expenses	<u>711,299</u>	<u>675,526</u>	<u>1,386,825</u>
Operating Income (Loss)	(96,066)	138,419	42,353
Nonoperating Revenues (Expenses)			
Interest income	73	-	73
Interest expense	<u>(77,616)</u>	<u>(70,529)</u>	<u>(148,145)</u>
Total Nonoperating Revenues (Expenses)	<u>(77,543)</u>	<u>(70,529)</u>	<u>(148,072)</u>
Change in Net Position	(173,609)	67,890	(105,719)
Total Net Position - Beginning of Year	<u>1,798,918</u>	<u>2,978,020</u>	<u>4,776,938</u>
Total Net Position - End of Year	<u>\$ 1,625,309</u>	<u>\$ 3,045,910</u>	<u>\$ 4,671,219</u>

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

Town of Clarksville, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 563,856	\$ 802,936	\$ 1,366,792
Lease revenues	35,224	-	35,224
Other receipts	9,095	3,451	12,546
Payments to personnel, suppliers and other operating costs	<u>(622,831)</u>	<u>(476,659)</u>	<u>(1,099,490)</u>
Net Cash Provided by (Used in) Operating Activities	(14,656)	329,728	315,072
Cash Flows from Noncapital Financing Activities			
Transfer from other funds	<u>2,037</u>	<u>1,822</u>	<u>3,859</u>
Net Cash Provided by Noncapital Financing Activities	2,037	1,822	3,859
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	(168,737)	(168,737)
Principal paid on capital debt	(54,247)	(24,422)	(78,669)
Interest paid on capital debt	<u>(88,054)</u>	<u>(70,529)</u>	<u>(158,583)</u>
Net Cash Used in Capital and Related Financing Activities	(142,301)	(263,688)	(405,989)
Cash Flows from Investing Activities			
Interest income	<u>73</u>	<u>-</u>	<u>73</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(154,847)	67,862	(86,985)
Cash and Cash Equivalents - Beginning of Year	<u>948,336</u>	<u>619,577</u>	<u>1,567,913</u>
Cash and Cash Equivalents - End of Year	<u>\$ 793,489</u>	<u>\$ 687,439</u>	<u>\$ 1,480,928</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (96,066)	\$ 138,419	\$ 42,353
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>			
Depreciation expense	179,584	226,279	405,863
<i>Changes in assets and liabilities</i>			
Accounts receivable	(2,577)	(7,558)	(10,135)
Accounts payable and accrued expenses	(81,544)	(16,472)	(98,016)
Customer deposits	(374)	-	(374)
Deferred outflows - pension	9,399	10,741	20,140
Deferred outflows - other post employment benefits	360	412	772
Net pension liability	(94,442)	(107,934)	(202,376)
Net other post-employment benefits liability	(3,391)	(3,875)	(7,266)
Deferred inflows - leases	(4,107)	-	(4,107)
Deferred inflows - pension	75,839	86,673	162,512
Deferred inflows - other post-employment benefits	<u>2,663</u>	<u>3,043</u>	<u>5,706</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (14,656)</u>	<u>\$ 329,728</u>	<u>\$ 315,072</u>

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

Town of Clarksville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2022

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Clarksville, Virginia (the "Town"), which was founded in 1898, has a population of approximately 1,139 living within an area of 2.4 square miles. The Town is located in the south central region of Virginia. The Town is governed by an elected mayor and an elected Town Council, with each serving administrative and legislative functions.

The Town is governed under the Town Manager form of government. The Town engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, and cultural, and community development.

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

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Clarksville, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Individual Component Unit Disclosures

Discretely Presented Component Unit

Economic Development Authority of the Town of Clarksville, Virginia

The Authority is a separate and distinct entity from the Town of Clarksville, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia.

A seven-member board appointed by the Town Council of the Town of Clarksville, Virginia governs the Authority. The directors are to serve staggered terms of four years each.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprise for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

1-B. Financial Reporting Model

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

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

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town and its discretely presented component unit at year end.

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

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

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

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

Major individual governmental and proprietary funds are reported in separate columns.

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

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

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

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's governmental funds:

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following: Police Asset Forfeiture, Veteran’s Memorial, and Cemetery Fund.
- *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. There are no Capital Projects Funds at this time.
- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water Fund and Sewer Fund, which account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- ***Fiduciary Funds (Custodial Funds)*** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds at this time.
- ***Component Unit (Economic Development Authority of the Town of Clarksville, Virginia)***

The Economic Development Authority of the Town of Clarksville, Virginia has only one fund which is its operating fund. It accounts for all activities of the Authority.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which all funds utilize with the exception of the special revenue funds, each of which has separate bank accounts and investments.

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

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

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

Real and Personal Property Tax Data

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	July 1
Due Date	February 1	February 1

The Town bills and collects its own property taxes.

A 10% penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on such taxes beginning on February 2.

1-E-4 Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a straight-line basis over the term of the lease.

1-E-5 Prepaid Items

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

1-E-6 Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town's infrastructure consists primarily of water and sewer systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Plant, equipment, and system	35 to 50 years
Motor vehicles	5 to 10 years
Equipment	2 to 15 years

1-E-7 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category includes Deferred Charge on Refunding reported on the Government-wide Statement of Net Position. The deferred charge on refunding is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

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

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

1-E-8 Pensions

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

1-E-9 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-12 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-13 Long-Term Obligations

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

1-E-14 Adoption of New GASB Statements

During the fiscal year ended June 30, 2022, the Town adopted the following GASB statements:

Statement No. 87, Leases increases the usefulness of the 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 leases are financings of the right to use an underlying asset.

A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

GASB Statement No. 92, Omnibus 2020 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of GASB Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports. (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of GASB Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of GASB Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. This Statement provides a more consistent financial reporting of defined contribution plans, defined contribution OPEB plans and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain provisions of this Statement are effective for fiscal year 2022 for the Town.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government and Component Unit EDA. All appropriations are legally controlled at the department level for the primary Government Funds. The EDA appropriation is determined by the Town Council and controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget 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 fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component unit.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Fund Deficits

No funds had fund deficits.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the Veteran's Memorial Fund at June 30, 2022.

3 Deposits and Investments

Deposits

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

Investments

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, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Custodial Credit Risk

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

Interest Rate Risk

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

The Town's investments consist of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money market mutual funds	\$ 168,581	N/A
Certificates of deposit	<u>139,310</u>	Less than 1 year
	<u>\$ 307,891</u>	

Credit Risk

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

The Town's investments by credit rating consist of the following:

	<u>Rating (Moody's or S&P)</u>	<u>Fair Value</u>
Unrated		<u>\$ 307,891</u>
		<u>\$ 307,891</u>

Cash and investments are reflected in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit EDA of the Town of Clarksville, Virginia</u>	<u>Total</u>
Deposits and Investments				
Cash on hand	\$ 175	\$ -	\$ -	\$ 175
Demand deposits	6,373,798	1,427,064	1,149,891	8,950,753
Certificates of deposit	<u>85,446</u>	<u>53,864</u>	<u>-</u>	<u>139,310</u>
	<u>\$ 6,459,419</u>	<u>\$ 1,480,928</u>	<u>\$ 1,149,891</u>	<u>\$ 9,090,238</u>
Statement of Net Position				
Deposits and Investments				
Cash and cash equivalents	\$ 6,459,419	\$ 1,480,928	\$ 1,149,891	\$ 9,090,238
	<u>\$ 6,459,419</u>	<u>\$ 1,480,928</u>	<u>\$ 1,149,891</u>	<u>\$ 9,090,238</u>

4 Receivables

Receivables at June 30, 2022 consist of the following:

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 52,799	\$ -
Water and sewer	-	189,407
Garbage receivables	20,940	-
Other misc. receivables	6,014	-
Total Receivables	<u>\$ 79,753</u>	<u>\$ 189,407</u>

5 Lease Receivable

Primary Government

The Town has entered into an agreement as lessor for land property and a water tower. The lease agreements are summarized as follows:

<u>Property Description</u>	<u>Fund</u>	<u>Original Date</u>	<u>Renewal Payment Terms</u>	<u>Next Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2022</u>
Land - Location of Clarksville Marina, Kerr Lake	General	4/1/2020	3 years	\$823.69/month	4.00%	\$ 7,315
Water Tower, Burlington Drive, Clarksville, VA	Water	6/18/2014	10 years	\$2,828.71/month	4.00%	<u>65,310</u>
Totals						<u>\$ 72,625</u>

	<u>Year Ending June 30, 2022</u>
<u>Lease-Related Revenue</u>	
Lease Revenue	
Land	\$ 9,464
Equipment	<u>32,045</u>
Total Lease Revenue	41,509
Interest revenue	<u>3,649</u>
Total	<u>\$ 45,158</u>

Annual payments to be received are as follows:

<u>Fiscal Year</u>	<u>Receivable Received</u>	<u>Interest Income</u>	<u>Total</u>
2023	\$ 40,265	\$ 2,110	\$ 42,375
2024	<u>32,360</u>	<u>651</u>	<u>33,011</u>
Totals	<u>\$ 72,625</u>	<u>\$ 2,761</u>	<u>\$ 75,386</u>

Component Unit - EDA of the Town of Clarksville, Virginia

The Authority has entered into an agreement as lessor for land property. The lease agreement is summarized as follows:

<u>Property Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2022</u>
610 Virginia Avenue	12/21/2021	10 years	Varies, see schedule below	5.00%	\$ 3,089,907

<u>Lease-Related Revenue</u>	<u>Year Ending June 30, 2022</u>
Lease revenue	\$ 186,655
Interest revenue	<u>91,500</u>
Total	<u>\$ 278,155</u>

Annual payments to be received are as follows:

<u>Fiscal Year</u>	<u>Receivable Received</u>	<u>Interest Income</u>	<u>Total</u>
2023	\$ -	\$ -	\$ -
2024	-	119,256	119,256
2025	-	238,513	238,513
2026	-	238,513	238,513
2027	194,555	284,621	479,176
2028-2031	<u>2,895,352</u>	<u>343,934</u>	<u>3,239,286</u>
	<u>\$ 3,089,907</u>	<u>\$ 1,224,837</u>	<u>\$ 4,314,744</u>

6 Due from/to Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2022 are as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund		
From Water Fund and Sewer Fund for operating costs	<u>\$ 3,859</u>	<u>\$ -</u>
Proprietary Funds		
Water Fund - To General Fund for operating costs	\$ -	\$ 2,037
Sewer Fund - To General Fund for operating costs	<u>-</u>	<u>1,822</u>
Total	<u>\$ -</u>	<u>\$ 3,859</u>

7 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2022, are as follows:

	<u>Primary Government Governmental Activities</u>	
	<u>General</u>	<u>Total</u>
Commonwealth of Virginia - ARPA funds	\$ 604,872	\$ 604,872
Total Due from Other Governments	<u>\$ 604,872</u>	<u>\$ 604,872</u>

8 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,089,609	\$ -	\$ -	\$ 1,089,609
Total Capital Assets Not Being Depreciated	1,089,609	-	-	1,089,609
Other Capital Assets				
Buildings and improvements	6,134,082	-	-	6,134,082
Furniture, equipment, and vehicles	2,447,064	-	-	2,447,064
Total Other Capital Assets	8,581,146	-	-	8,581,146
Less: Accumulated depreciation for				
Buildings and improvements	2,705,564	157,533	-	2,863,097
Furniture, equipment, and vehicles	2,103,246	92,010	-	2,195,256
Total Accumulated Depreciation	4,808,810	249,543	-	5,058,353
Other Capital Assets, Net	3,772,336	(249,543)	-	3,522,793
Net Capital Assets	\$ 4,861,945	\$ (249,543)	\$ -	\$ 4,612,402

Depreciation expense was allocated as follows:

General government administration	\$ 84,140
Public safety	48,005
Public works	34,860
Parks, recreation, and cultural	5,938
Community development	76,600
Total Depreciation Expense	\$ 249,543

Business-Type Activities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Water				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 58,473	\$ -	\$ -	\$ 58,473
Total Capital Assets Not Being Depreciated	58,473	-	-	58,473
Other Capital Assets				
Buildings and systems	6,593,111	-	-	6,593,111
Furniture, equipment, and vehicles	255,999	-	-	255,999
Total Other Capital Assets	6,849,110	-	-	6,849,110
Less: Accumulated depreciation for				
Buildings and systems	3,098,626	176,964	-	3,275,590
Furniture, equipment, and vehicles	243,484	2,620	-	246,104
Total Accumulated Depreciation	3,342,110	179,584	-	3,521,694
Other Capital Assets, Net	3,507,000	(179,584)	-	3,327,416
Net Capital Assets	\$ 3,565,473	\$ (179,584)	\$ -	\$ 3,385,889
Sewer				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,936	\$ -	\$ -	\$ 2,936
Total Capital Assets Not Being Depreciated	2,936	-	-	2,936
Other Capital Assets				
Buildings and systems	10,324,222	168,737	-	10,492,959
Furniture, equipment, and vehicles	98,848	-	-	98,848
Total Other Capital Assets	10,423,070	168,737	-	10,591,807
Less: Accumulated depreciation for				
Buildings and systems	4,966,306	226,279	-	5,192,585
Furniture, equipment, and vehicles	98,848	-	-	98,848
Total Accumulated Depreciation	5,065,154	226,279	-	5,291,433
Other Capital Assets, Net	5,357,916	(57,542)	-	5,300,374
Net Capital Assets	\$ 5,360,852	\$ (57,542)	\$ -	\$ 5,303,310

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 61,409	\$ -	\$ -	\$ 61,409
Total Capital Assets Not Being Depreciated	61,409	-	-	61,409
Other Capital Assets				
Buildings and systems	16,917,333	168,737	-	17,086,070
Furniture, equipment, and vehicles	354,847	-	-	354,847
Total Other Capital Assets	17,272,180	168,737	-	17,440,917
Less: Accumulated depreciation for				
Buildings and systems	8,064,932	403,243	-	8,468,175
Furniture, equipment, and vehicles	342,332	2,620	-	344,952
Total Accumulated Depreciation	8,407,264	405,863	-	8,813,127
Other Capital Assets, Net	8,864,916	(237,126)	-	8,627,790
Net Capital Assets	<u>\$ 8,926,325</u>	<u>\$ (237,126)</u>	<u>\$ -</u>	<u>\$ 8,689,199</u>

Depreciation expense was allocated as follows:

Water Fund	\$ 179,584
Sewer Fund	226,279
Total Depreciation Expense	<u>\$ 405,863</u>

Component Unit - EDA of the Town of Clarksville, VA

	(Restated) Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 388,267	\$ -	\$ -	\$ 388,267
Construction in process	-	220,119	-	220,119
Total Capital Assets Not Being Depreciated	388,267	220,119	-	608,386
Other Capital Assets				
Land improvements	33,255	-	-	33,255
Total Other Capital Assets	33,255	-	-	33,255
Less: Accumulated depreciation for				
Land improvements	1,917	250	-	2,167
Total Accumulated Depreciation	1,917	250	-	2,167
Other Capital Assets, Net	31,338	(250)	-	31,088
Net Capital Assets	<u>\$ 419,605</u>	<u>\$ 219,869</u>	<u>\$ -</u>	<u>\$ 639,474</u>

9 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30.</u>	<u>Governmental Activities General Bonds Payable</u>		<u>Business-Type Activities</u>		<u>Bond Premium</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 21,377	\$ 4,873	\$ 225,173	\$ 168,049	\$ 10,183
2024	21,784	4,466	371,849	159,040	9,912
2025	22,199	4,050	238,769	148,314	9,476
2026	22,623	3,627	249,962	138,009	8,830
2027	23,054	3,196	251,083	127,469	8,139
2028-2032	122,032	9,216	1,415,112	484,224	31,204
2033-2037	32,547	464	1,420,581	222,031	10,373
2038-2042	-	-	374,791	98,326	-
2043-2047	-	-	285,487	62,110	-
2048-2052	-	-	303,271	34,709	-
2053-2056	-	-	213,991	6,649	-
Total	<u>\$ 265,616</u>	<u>\$ 29,892</u>	<u>\$ 5,350,069</u>	<u>\$ 1,648,930</u>	<u>\$ 88,117</u>

COMPONENT UNIT

<u>Year(s) Ended June 30.</u>	<u>EDA of the Town of Clarksville, VA</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 169,641
2024	34,615	166,637
2025	71,876	162,960
2026	75,553	156,573
2027	322,604	131,404
2028-2032	2,895,352	212,530
	<u>\$ 3,400,000</u>	<u>\$ 999,745</u>
Less: Loan funds not yet disbursed	(3,097,418)	
	<u>\$ 302,582</u>	

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	<u>Balance</u> <u>July 1, 2021</u>		<u>Increase</u>		<u>Decrease</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
Primary Government							
Governmental Activities							
General Fund							
Bond Series 2014A with Benchmark Bank with annual payments of \$26,249.77 beginning on June 30, 2016, interest at 1.89%, maturity date of June 30, 2034.	\$ 286,845	\$	-	\$	21,229	\$ 265,616	\$ 21,377
\$149,000.00 General Obligation Revolving Bond Series 2014B with Benchmark Bank with annual payments of \$22,586.67 beginning on June 30, 2016 with interest at 1.69% and maturity date of June 30, 2022.	<u>5,641</u>		<u>-</u>		<u>5,641</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	292,486		-		26,870	265,616	21,377
Business-Type Activities							
Water Fund							
\$517,497.95 Virginia Revolving Loan Fund, WSL-20-11 Water System Improvement Loan payable semi-annually June 1 and December 1 of each year to include interest at the rate of 3.00% starting June 1, 2013 and ending December 1, 2042.	417,587		-		14,247	403,340	14,677
Virginia Resource Authority Infrastructure and State Moral Obligation Revenue Bonds, Series 2015B original principal of \$2,170,000 due October 1, 2035; semi-annual payments due October (principal and interest) and April (interest only) with interest ranging from 3.125% to 5.125%; the proceeds were used to payoff an outstanding General Obligation Water & Sewer Bond	<u>2,055,000</u>		<u>-</u>		<u>40,000</u>	<u>2,015,000</u>	<u>45,000</u>
Total	2,472,587		-		54,247	2,418,340	59,677
ADD							
Unamortized Premium on Bond Series 2015B	<u>98,555</u>		<u>-</u>		<u>10,438</u>	<u>88,117</u>	<u>10,183</u>
Total Water Fund	2,571,142		-		64,685	2,506,457	69,860
Sewer Fund							
\$220,000.00 Virginia Revolving Loan Fund, Water and Sewer Bonds Series 2001 issued October 19, 2001, interest at 4.50% payable semi-annually in installments of \$8,532.80 until August 1, 2021.	8,345		-		8,345	-	-
Virginia Resource Authority Sewer System General Obligation Revenue Refunding Bond, Series 2012 original principal of \$1,820,000 due November 1, 2032; semi-annual payments due October and April (interest only) with interest ranging from 2.25% to 5.15%. The proceeds were used to payoff the Virginia Pooled Financing Program, Series 2004.	1,215,000		-		115,000	1,100,000	120,000
\$602,000 18-Month Bond Anticipation Note (BAN) with Benchmark Community Bank dated September 8, 2021. This BAN is required by USDA Rural Development future debt.	-		143,584		-	143,584	-

	<u>Balance July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
\$79,980.00 General Obligation Bond Series 2013 w with Carter Bank & Trust dated July 31, 2013. Payable in monthly installments of \$735.96, interest at 2.00%	18,000	-	8,549	9,451	8,708
Rural Development Sewer Improvement Loan issued October 29, 2015 payable in 480 monthly installments of \$5,663.00, interest at 1.875%. Maturity date September 22, 2055.	1,714,806	-	36,112	1,678,694	36,788
Total Sewer Fund	2,956,151	143,584	168,006	2,931,729	165,496
Total Business-Type Activities	5,527,293	143,584	232,691	5,438,186	235,356
Total Primary Government	\$ 5,819,779	\$ 143,584	\$ 259,561	\$ 5,703,802	\$ 256,733

EDA of Town of Clarksville

Taxable lease Revenue Bond Series 2021	\$ -	\$ 3,400,000	\$ -	\$ 3,400,000	\$ -
Less: funds not yet disbursed	-	(3,097,418)	-	(3,097,418)	-
Total Long-Term Debt	\$ -	\$ 302,582	\$ -	\$ 302,582	\$ -

10 Debt Refunding

The Virginia Resources Authority Infrastructure and State Moral Obligation Revenue Bonds, Series 2015B were issued on August 19, 2015 in the amount of \$2,170,000 to refund the General Obligation Water & Sewer Bond, Series 2004 originally issued in the principal amount of \$2,491,000. The new bonds bear interest from 3.125% to 5.125% and are due in semi-annual payments ranging from \$5,218.76 to \$300,219.00 through October 1, 2035. The new issue will reduce debt service payments for the Town by \$148,783.00 with an economic gain of \$65,741.00.

The Virginia Resources Authority Sewer System General Obligation Revenue Refunding Bond, Series 2012 was issued on July 2, 2012 in the amount of \$1,820,000 to refund the Virginia Pooled Financing Program, Series 2004 originally issued in the principal amount of \$2,760,000. The new bond bears interest from 2.25% to 5.15% and is due in semi-annual payments ranging from \$1,772.00 to \$150,375.00 through November 1, 2032. The new issue will reduce debt service payments for the Town by \$528,440.62 with an economic gain of \$419,258.00.

11 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2022 is determined as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities Water Fund</u>	<u>Sewer Fund</u>	<u>Total Business-Type Activities</u>	<u>Component Unit EDA</u>
Net Investment in Capital Assets					
Cost of capital assets	\$ 9,670,755	\$ 6,907,583	\$ 10,594,743	\$ 17,502,326	\$ 641,641
Less: Accumulated depreciation	(5,058,353)	(3,521,694)	(5,291,433)	(8,813,127)	(2,167)
Book value	4,612,402	3,385,889	5,303,310	8,689,199	639,474
Less: Capital related debt	(265,616)	(2,506,457)	(2,931,729)	(5,438,186)	(302,582)
Net Investment in Capital Assets	\$ 4,346,786	\$ 879,432	\$ 2,371,581	\$ 3,251,013	\$ 336,892

12 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Governmental Funds - General Fund

Deferred Inflows of Resources

Delinquent taxes not collected within 60 days	\$ 52,799
Leases	<u>7,098</u>
Totals	<u>\$ 59,897</u>

Component Unit EDA

Deferred Inflows of Resources

Lease receivable	<u>\$ 3,039,809</u>
Totals	<u>\$ 3,039,809</u>

13 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 natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool 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.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The Component Unit EDA carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond coverage is as follows:

United States Fidelity and Guaranty Company

Mayor	\$ 100,000
Treasurer	100,000
Town Manager	100,000
Assistant Town Manager	100,000

14 Commitments and Contingencies

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

15 Litigation

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

16 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$ 178,089,666
Debt Limit per Constitution of Virginia - 10% Assessed Value	\$ 17,808,967
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	5,703,802
Legal Debt Margin - June 30, 2022	\$ 12,105,165

Note: Includes all long-term general obligation bonded debt. Excludes capital leases and compensated absences, if applicable.

17 Pension Plan

Plan Description

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

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

The remainder of this page is left blank intentionally.

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Same as Plan 1.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

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

Service Credit

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

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

Service Credit

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

Distribution not required, except as governed by law .

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2020 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	16
Inactive members:	
Vested inactive members	2
Non-vested inactive members	6
LTD	0
Inactive members active elsewhere in VRS	<u>15</u>
Total inactive members	23
Active members	<u>24</u>
Total covered employees	<u>63</u>

Contributions

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

If the employer used the certified rate: The Town of Clarksville, Virginia's contractually required contribution rate for the year ended June 30, 2022 was 13.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 of Clarksville, Virginia were \$145,922 and \$133,732 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town of Clarksville, Virginia, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

**The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.*

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2020	\$ 4,609,205	\$ 3,625,008	\$ 984,197
Changes for the Year			
Service cost	119,224	-	119,224
Interest	306,219	-	306,219
Benefit changes	-	-	-
Assumption changes	136,956	-	136,956
Differences between expected and actual experience	(59,205)	-	(59,205)
Contributions - employer	-	130,538	(130,538)
Contributions - employee	-	47,790	(47,790)
Net investment income	-	1,001,745	(1,001,745)
Benefit payments, including refunds	(145,260)	(145,260)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(2,391)	2,391
Other changes	-	96	(96)
Net Changes	<u>357,934</u>	<u>1,032,518</u>	<u>(674,584)</u>
Balances at June 30, 2021	<u>\$ 4,967,139</u>	<u>\$ 4,657,526</u>	<u>\$ 309,613</u>

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

The following presents the net pension liability of the Town of Clarksville, Virginia using the discount rate of 6.75%, as well as what the Town of Clarksville, Virginia's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
	<u>(5.75%)</u>	<u>Rate (6.75%)</u>	<u>(7.75%)</u>
Political subdivision's			
Net Pension Liability	\$ 1,013,877	\$ 309,613	\$ (269,153)

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

For the year ended June 30, 2022, the Town of Clarksville, Virginia recognized pension expense of \$76,985. At June 30, 2022, the Town of Clarksville, Virginia 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	\$ 5,904	\$ 40,703
Change in assumptions	94,157	-
Net difference between projected and actual earnings on pension plan investments	-	501,001
Employer contributions subsequent to the measurement date	<u>145,922</u>	<u>-</u>
Total	<u>\$ 245,983</u>	<u>\$ 541,704</u>

\$145,922 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended	
<u>June 30,</u>	
2023	\$ (87,722)
2024	(90,619)
2025	(112,100)
2026	(151,202)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

18 **Group Life Insurance Program**

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- *Natural Death Benefit:* The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- *Accidental Death Benefit:* The accidental death benefit is double the natural death benefit.
- *Other Benefit Provisions:* In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$5,841 and \$5,353 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the participating employer reported a liability of \$55,885 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .00480% as compared to .00480% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$3,232. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,374	\$ 426
Net difference between projected and actual earnings on GLI OPEB program investments	-	13,339
Change in assumptions	3,081	7,646
Changes in proportionate share	3,428	-
Employer contributions subsequent to the measurement date	<u>5,841</u>	<u>-</u>
Total	<u>\$ 18,724</u>	<u>\$ 21,411</u>

\$5,841 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2023	\$ (1,810)
2024	(1,190)
2025	(1,163)
2026	(3,639)
2027	(726)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation -	
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

**Group Life
Insurance
OPEB Program**

Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	<u>2,413,074</u>
GLI Net OPEB Liability (Asset)	<u><u>\$ 1,164,272</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.39%</u>

**The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.*

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ 81,650	\$ 55,885	\$ 35,078

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 Fund Balances – Governmental Funds

As of June 30, 2022 fund balances are composed of the following:

	General Fund	Police Asset Forfeiture	Veteran's Memorial	Cemetery Fund	Total Governmental Funds
Assigned for specific projects	\$ -	\$ 10,576	\$ 14,136	\$ 172,537	\$ 197,249
Unassigned	5,626,767	-	-	-	5,626,767
	<u>\$ 5,626,767</u>	<u>\$ 10,576</u>	<u>\$ 14,136</u>	<u>\$ 172,537</u>	<u>\$ 5,824,016</u>

20 Upcoming Pronouncements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements for government end users. The provisions of this Statement are effective for fiscal year 2023.

GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

21 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through November 1, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Clarksville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2022

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 451,584	\$ 451,584	\$ 480,714	\$ 29,130
Personal property taxes	266,252	266,252	223,717	(42,535)
Public service corporation property taxes	17,000	17,000	19,857	2,857
Interest on taxes	2,000	2,000	2,316	316
Penalties on taxes	3,000	3,000	7,573	4,573
Total General Property Taxes	739,836	739,836	734,177	(5,659)
Other Local Taxes				
Local sales and use taxes	90,000	90,000	106,819	16,819
Consumer utility tax	60,000	60,000	63,421	3,421
Business license taxes	135,100	135,100	173,281	38,181
Franchise taxes	2,100	2,100	1,483	(617)
Motor vehicle licenses	12,000	12,000	13,776	1,776
Bank franchise tax	99,998	99,998	120,267	20,269
Meals tax	426,000	426,000	568,977	142,977
Lodging tax	98,500	98,500	171,200	72,700
Total Other Local Taxes	923,698	923,698	1,219,224	295,526
Permits, Privilege Fees, and Regulatory Licenses				
Other permits, licenses, and fees	1,500	1,500	1,200	(300)
Total Permits, Privilege Fees, and Regulatory Licenses	1,500	1,500	1,200	(300)
Fines and Forfeitures				
	27,000	27,000	37,790	10,790
Revenue from Use of Money and Property				
Revenue from use of money	1,000	1,000	69	(931)
Revenue from sale of property	1,000	1,000	12,369	11,369
Revenue from use of property	30,744	30,744	32,125	1,381
Total Revenue from Use of Money and Property	32,744	32,744	44,563	11,819
Charges for Services				
Sanitation and waste removal	159,377	159,377	163,778	4,401
Total Charges for Services	159,377	159,377	163,778	4,401

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Miscellaneous				
Miscellaneous	13,000	13,000	20,207	7,207
Community Center	<u>8,500</u>	<u>8,500</u>	<u>19,507</u>	<u>11,007</u>
Total Miscellaneous	21,500	21,500	39,714	18,214
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
PPTRA Funds	54,356	54,356	54,356	-
Debt set off funds	-	-	50	50
Communication tax	30,000	30,000	25,126	(4,874)
Auto rental sales tax	1,400	1,400	639	(761)
Rolling stock taxes - motor vehicle carriers tax	<u>1,000</u>	<u>1,000</u>	<u>984</u>	<u>(16)</u>
Total Noncategorical Aid	86,756	86,756	81,155	(5,601)
<i>Categorical Aid</i>				
Virginia Commission for the Arts	4,500	4,500	4,500	-
Litter Control Grant	935	935	1,329	394
Law Enforcement Assistance	34,000	34,000	34,295	295
Fire Department Grant	<u>10,000</u>	<u>10,000</u>	<u>15,000</u>	<u>5,000</u>
Total Categorical Aid	<u>49,435</u>	<u>49,435</u>	<u>55,124</u>	<u>5,689</u>
Total Revenue from the Commonwealth of Virginia	136,191	136,191	136,279	88
Revenue from the Federal Government				
DCJS grants - Coronavirus	-	-	5,827	5,827
Byrne JAG grant	<u>-</u>	<u>-</u>	<u>1,387</u>	<u>1,387</u>
Total Revenue from the Federal Government	-	-	7,214	7,214
Total Intergovernmental Revenue	<u>136,191</u>	<u>136,191</u>	<u>143,493</u>	<u>7,302</u>
Total Revenues	2,041,846	2,041,846	2,383,939	342,093
Expenditures				
Current				
<i>General Government Administration</i>				
Mayor and Council fees	5,392	5,392	8,232	(2,840)
Administrative	304,396	304,396	247,903	56,493
Treasurer	<u>93,836</u>	<u>93,836</u>	<u>79,890</u>	<u>13,946</u>
Total General Government Administration	403,624	403,624	336,025	67,599

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Police Department	633,746	633,746	682,919	(49,173)
Fire and rescue services	40,450	40,450	40,020	430
Total Public Safety	674,196	674,196	722,939	(48,743)
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	157,996	157,996	128,984	29,012
Sanitation	219,472	219,472	208,291	11,181
Maintenance of buildings and grounds	299,152	299,152	323,432	(24,280)
Total Public Works	676,620	676,620	660,707	15,913
<i>Parks, Recreation, and Cultural</i>				
Regional library	13,950	13,950	10,607	3,343
Parks and recreation	30,400	30,400	21,614	8,786
Cemetery	5,000	5,000	419	4,581
Community Center	19,200	19,200	16,571	2,629
Total Parks, Recreation, and Cultural	68,550	68,550	49,211	19,339
<i>Community Development</i>				
Planning and community development	88,500	88,500	34,833	53,667
Cooperative extension	3,800	3,800	2,445	1,355
Total Community Development	92,300	92,300	37,278	55,022
<i>Debt Service</i>	33,779	33,779	31,907	1,872
Total Expenditures	1,949,069	1,949,069	1,838,067	111,002
Excess (Deficiency) of Revenues Over Expenditures	92,777	92,777	545,872	453,095
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance Before Transfer from Surplus	92,777	92,777	545,872	453,095
Transfer from (to) Surplus Funds	(92,777)	(92,777)	-	92,777
Net Change in Fund Balance After Transfer from Surplus	\$ -	\$ -	545,872	\$ 545,872
Fund Balance - Beginning of Year			5,080,895	
Fund Balance - End of Year			\$ 5,626,767	

Town of Clarksville, Virginia

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

For the Plan Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability								
Service cost	\$ 119,224	\$ 119,279	\$ 81,256	\$ 73,576	\$ 76,239	\$ 81,030	\$ 73,519	\$ 70,717
Interest	306,219	276,705	259,421	242,630	222,943	208,744	201,981	192,019
Changes in benefit terms	-	168,716	-	-	-	-	-	(129,394)
Difference between expected and actual experience	(59,205)	17,370	66,153	61,675	171,551	36,730	(70,055)	-
Changes of assumptions	136,956	-	126,027	-	(48,221)	-	-	-
Benefit payments	(145,260)	(144,399)	(134,662)	(141,371)	(141,154)	(106,191)	(111,457)	-
Net change in total pension liability	357,934	437,671	398,195	236,510	281,358	220,313	93,988	133,342
Total pension liability - beginning	4,609,205	4,171,534	3,773,339	3,536,829	3,255,471	3,035,158	2,941,170	2,807,828
Total pension liability - ending (a)	\$ 4,967,139	\$ 4,609,205	\$ 4,171,534	\$ 3,773,339	\$ 3,536,829	\$ 3,255,471	\$ 3,035,158	\$ 2,941,170
Plan fiduciary net position								
Contributions - employer	\$ 130,538	\$ 114,939	\$ 74,362	\$ 61,732	\$ 59,691	\$ 64,937	\$ 60,993	\$ 57,546
Contributions - employee	47,790	47,843	44,027	40,324	41,884	39,479	37,142	36,889
Net investment income	1,001,745	68,307	223,500	232,028	345,032	49,401	122,620	371,454
Benefit payments	(145,260)	(144,399)	(134,662)	(141,371)	(141,154)	(106,191)	(111,457)	(129,394)
Administrator charges	(2,391)	(2,244)	(2,166)	(1,994)	(1,989)	(1,719)	(1,669)	(2,007)
Other	96	(82)	(141)	(207)	(307)	(21)	(25)	19
Net change in plan fiduciary net position	1,032,518	84,364	204,920	190,512	303,157	45,886	107,604	334,507
Plan fiduciary net position - beginning	3,625,008	3,540,644	3,335,724	3,145,212	2,842,055	2,796,169	2,688,565	2,354,058
Plan fiduciary net position - ending (b)	\$ 4,657,526	\$ 3,625,008	\$ 3,540,644	\$ 3,335,724	\$ 3,145,212	\$ 2,842,055	\$ 2,796,169	\$ 2,688,565
Political subdivision's net pension liability - ending (a-b)	\$ 309,613	\$ 984,197	\$ 630,890	\$ 437,615	\$ 391,617	\$ 413,416	\$ 238,989	\$ 252,605
Plan fiduciary net position as a percentage of the total pension liability	93.77%	78.65%	84.88%	88.40%	88.93%	87.30%	92.13%	91.41%
Covered payroll	\$ 991,345	\$ 1,141,356	\$ 1,091,137	\$ 983,390	\$ 962,828	\$ 809,939	\$ 762,118	\$ 705,137
Political subdivision's net pension liability as a percentage of covered payroll	31.23%	86.23%	57.82%	44.50%	40.67%	51.04%	31.36%	35.82%

Town of Clarksville, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2013 through 2022

Date	Contractually Required Contribution (1)*	Contribution in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 145,922	\$ 145,922	\$ -	\$ 1,081,707	13.49%
2021	133,732	133,732	-	991,345	13.49%
2020	117,547	117,547	-	1,141,356	10.30%
2019	77,098	77,098	-	1,091,137	7.07%
2018	64,139	64,139	-	983,390	6.52%
2017	61,650	61,650	-	962,828	6.40%
2016	71,528	71,528	-	809,939	8.83%
2015	60,449	60,449	-	762,118	7.93%
2014	58,044	58,044	-	705,137	8.23%
2013	52,304	52,304	-	737,425	7.09%

* Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

For Reference Only:

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

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

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

Town of Clarksville, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Clarksville, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Plan For the Measurement Dates of June 30, 2017 through 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00480%	0.00480%	0.00471%	0.00441%	0.00441%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 55,885	\$ 80,104	\$ 76,644	\$ 67,000	\$ 67,000
Employer's Covered Payroll	991,344	988,875	922,225	838,577	813,181
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.64%	8.10%	8.31%	7.99%	8.24%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years.

Since 2021 is the fifth year for this presentation, there are only five years available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 130 of the VRS 2021 Annual Report.

Town of Clarksville, Virginia

Schedule of Employer Contributions

OPEB Group Life Insurance Plan

For the Years Ended June 30, 2013 through 2022

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 5,841	\$ 5,841	\$ -	\$ 1,081,707	0.54%
2021	5,353	5,353	-	991,344	0.54%
2020	5,142	5,142	-	988,875	0.52%
2019	4,796	4,796	-	922,225	0.52%
2018	4,361	4,361	-	838,577	0.52%
2017	4,229	4,229	-	813,181	0.52%
2016	3,880	3,880	-	808,256	0.48%
2015	3,578	3,578	-	745,322	0.48%
2014	3,548	3,548	-	739,210	0.48%
2013	3,270	3,270	-	681,182	0.48%

For Reference Only:

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

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

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

Town of Clarksville, Virginia

Notes to Required Supplementary Information – OPEB GLI

For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

Town of Clarksville, Virginia

Budgetary Comparison Schedule

Special Revenue Funds

June 30, 2022

Police Asset Forfeiture

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
From the Commonwealth of Virginia	-	-	-	-
Total Revenues	-	-	-	-
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Contingency/surplus	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			10,576	
Fund Balance - End of Year			<u>\$ 10,576</u>	

Veteran's Memorial

Variance
With
Final Budget
Positive
(Negative)

Revenues

Use of money and property	\$ 100	\$ 100	\$ 3	\$ (97)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>4,005</u>	<u>3,005</u>
Total Revenues	1,100	1,100	4,008	2,908

Expenditures

Parks, recreation, and cultural	<u>500</u>	<u>500</u>	<u>2,558</u>	<u>(2,058)</u>
Total Expenditures	500	500	2,558	(2,058)

Excess (Deficiency) of Revenues Over Expenditures	600	600	1,450	850
---	-----	-----	-------	-----

Other Financing Sources (Uses)

Contingency/surplus	<u>(600)</u>	<u>(600)</u>	<u>-</u>	<u>600</u>
Total Other Financing Sources (Uses)	<u>(600)</u>	<u>(600)</u>	<u>-</u>	<u>600</u>

Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,450	<u>\$ 1,450</u>
----------------------------	-------------	-------------	-------	-----------------

Fund Balance - Beginning of Year			<u>12,686</u>	
----------------------------------	--	--	---------------	--

Fund Balance - End of Year			<u>\$ 14,136</u>	
----------------------------	--	--	------------------	--

Cemetery Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ 500	\$ 500	\$ 1	\$ (499)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,120</u>	<u>120</u>
Total Revenues	1,500	1,500	1,121	(379)
Expenditures	<u>500</u>	<u>500</u>	-	<u>500</u>
Total Expenditures	500	500	-	500
Excess (Deficiency) of Revenues Over Expenditures	1,000	1,000	1,121	121
Other Financing Sources (Uses)				
Transfer In (Out)	(500)	(500)	-	500
Contingency/surplus	<u>(500)</u>	<u>(500)</u>	-	<u>500</u>
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(1,000)</u>	-	<u>1,000</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,121	<u>\$ 1,121</u>
Fund Balance - Beginning of Year			<u>171,416</u>	
Fund Balance - End of Year			<u>\$ 172,537</u>	

Town of Clarksville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2022

	<u>Special Revenue Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Police Asset Forfeiture</u>	<u>Veteran's Memorial</u>	<u>Cemetery Fund</u>	
Assets				
Cash and investments	\$ 10,576	\$ 14,136	\$ 172,537	\$ 197,249
Total Assets	<u>\$ 10,576</u>	<u>\$ 14,136</u>	<u>\$ 172,537</u>	<u>\$ 197,249</u>
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance				
Assigned	<u>10,576</u>	<u>14,136</u>	<u>172,537</u>	<u>197,249</u>
Total Fund Balance	<u>10,576</u>	<u>14,136</u>	<u>172,537</u>	<u>197,249</u>
Total Liabilities and Fund Balance	<u>\$ 10,576</u>	<u>\$ 14,136</u>	<u>\$ 172,537</u>	<u>\$ 197,249</u>

Town of Clarksville, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

At June 30, 2022

	<u>Special Revenue Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Police Asset Forfeiture</u>	<u>Veteran's Memorial</u>	<u>Cemetery Fund</u>	
Revenues				
Use of money and property	\$ -	\$ 3	\$ 1	\$ 4
Miscellaneous	-	4,005	1,120	5,125
Intergovernmental				
From the Commonwealth of Virginia	-	-	-	-
Total Revenues	-	4,008	1,121	5,129
Expenditures				
Current				
Parks, recreation, and cultural	-	2,558	-	2,558
Total Expenditures	-	2,558	-	2,558
Excess (Deficiency) of Revenues Over Expenditures	-	1,450	1,121	2,571
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	1,450	1,121	2,571
Fund Balance - Beginning of Year	10,576	12,686	171,416	194,678
Fund Balance - End of Year	<u>\$ 10,576</u>	<u>\$ 14,136</u>	<u>\$ 172,537</u>	<u>\$ 197,249</u>

Town of Clarksville, Virginia

Economic Development Authority of the Town of Clarksville, Virginia
A Component Unit of the Town of Clarksville, Virginia

Statement of Net Position

As of June 30, 2022

Assets

Current Assets

Cash	\$ 1,149,891
Lease interest receivable	<u>78,057</u>
Total Current Assets	1,227,948

Noncurrent Assets

Lease receivable	<u>3,089,907</u>
Total Other Assets	3,089,907

Capital Assets

Capital assets not being depreciated	608,386
Other capital assets	<u>31,088</u>
Net Capital Assets	<u>639,474</u>
Total Assets	<u>\$ 4,957,329</u>

Liabilities, Deferred Inflows of Resources, and Net Position

Liabilities

Current Liabilities

Accounts payable	<u>\$ 1,500</u>
Total Current Liabilities	1,500

Long-Term Liabilities

Bonds payable	<u>302,582</u>
Total Long-Term Liabilities	<u>302,582</u>
Total Liabilities	304,082

Deferred Inflows of Resources

Leases	<u>3,039,809</u>
Total Deferred Inflows	3,039,809

Net Position

Net investment in capital assets	336,892
Unrestricted	<u>1,276,546</u>
Total Net Position	<u>1,613,438</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,957,329</u>

Town of Clarksville, Virginia

Economic Development Authority of the Town of Clarksville, Virginia
A Component Unit of the Town of Clarksville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022

Operating Revenues

Lease revenue	\$ 186,655
Miscellaneous	<u>2,348</u>

Total Operating Revenues	189,003
--------------------------	---------

Operating Expenses

Marketing consultant	18,000
Depreciation	250
Advertising	286
Miscellaneous	40
Professional fees	586
Insurance	<u>625</u>

Total Operating Expenses	<u>19,787</u>
--------------------------	---------------

Net Operating Income	169,216
----------------------	---------

Non-Operating Revenues (Expenses)

Interest income on lease	91,500
Interest expense	(3,269)
Bond issuance costs	<u>(82,464)</u>

Total Non-Operating Revenues (Expenses)	<u>5,767</u>
---	--------------

Change in Net Position	174,983
------------------------	---------

Net Position - Beginning of Year	<u>1,438,455</u>
----------------------------------	------------------

Net Position - End of Year	<u><u>\$ 1,613,438</u></u>
----------------------------	----------------------------

Town of Clarksville, Virginia

Economic Development Authority of the Town of Clarksville, Virginia
A Component Unit of the Town of Clarksville, Virginia

Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities

Lease revenue	\$ 136,556
Miscellaneous income	2,348
Payment to suppliers	<u>(19,537)</u>

Net Cash Provided by Operating Activities 119,367

Cash Flows from Capital and Related Financing Activities

Interest expense	(3,269)
Interest income on lease	13,444
Proceeds from bond issuance	302,582
Closing costs and bond issuance costs	(82,464)
Purchases of capital assets	<u>(220,119)</u>

Net Cash Provided by Capital and Related Financing Activities 10,174

Cash Flows from Investing Activities

-

Net Cash Used in Investing Activities -

Increase in Cash and Cash Equivalents 129,541

Cash and Cash Equivalents - Beginning of Year 1,020,350

Cash and Cash Equivalents - End of Year \$ 1,149,891

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating income	\$ 169,216
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
Depreciation and amortization	250
Decrease in deferred inflows on lease	(186,655)
Decrease in lease receivable	<u>136,556</u>

Net Cash Provided by Operating Activities \$ 119,367

STATISTICAL SECTION

Town of Clarksville, Virginia

Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Water and Sewer Revenue Bonds

Fiscal Year	Gross Revenue ⁽¹⁾		Less Operating Expenses ⁽²⁾		Net Revenues Available for Debt Service	Debt Service		Coverage
						Principal	Interest	
2013	\$	2,076,049	\$	636,789	\$ 1,439,260	\$ 187,855	\$ 155,167	4.20
2014		1,108,782		746,316	362,466	158,287	208,480	0.99
2015		1,233,486		712,443	521,043	167,041	201,955	1.41
2016		1,299,554		830,033	469,521	179,639 ⁽³⁾	127,021	1.53
2017		1,818,981		780,136	1,038,844	183,732	236,868	2.47
2018		1,382,787		688,505	694,282	190,929	208,724	1.74
2019		1,357,804		872,551	485,253	201,323	203,827	1.20
2020		1,398,063		967,287	430,776	210,819	219,354	1.00
2021		1,424,109		971,548	452,561	452,561	208,793	0.68
2022		1,429,251		980,962	448,289	232,691	148,145	1.18

⁽¹⁾Operating revenues and interest income

⁽²⁾Net of depreciation and amortization

⁽³⁾Net of bond refundings

COMPLIANCE SECTION



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

To the Town Council
Town of Clarksville, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clarksville, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Clarksville, Virginia's basic financial statements and have issued our report thereon dated November 1, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clarksville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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.

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

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

South Hill, Virginia
November 1, 2023