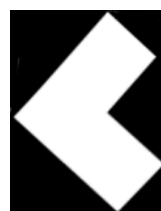


Town of Burkeville, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2022



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

Town of Burkeville, Virginia

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FINANCIAL SECTION



**Creedle
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& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
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*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Burkeville, Virginia

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Burkeville, 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 Burkeville, Virginia's basic financial statements as listed in the table of contents.

We do not express an opinion on the financial statements of Town of Burkeville, Virginia referred to above. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

We were unable to perform tests of the reconciliation of operating cash accounts for both governmental and business-type activities, nor is the Town's internal control adequate to provide safeguards over the Town's net assets and its cash flows to assure the proper recording of transactions. Due to the possible pervasive effect of these accounts not being reconciled and the unavailability of supporting documentation, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

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 Burkeville, 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 Burkeville, 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 Burkeville, Virginia's ability to continue as a going concern for a reasonable period of time.

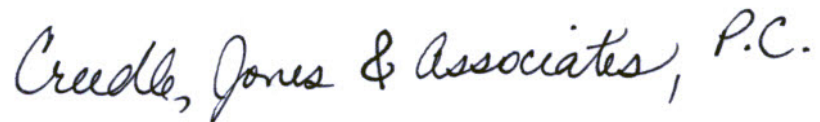
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 60-63, and 64-72 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the Town of Burkeville, 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 Burkeville, 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 Burkeville, Virginia's internal control over financial reporting and compliance.



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

South Hill, Virginia
January 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Burkeville, Virginia presents the following discussion and analysis as an overview of the Town of Burkeville, 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 \$1,539,817. Of this amount, \$684,353 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 \$605,997 with an unrestricted balance deficit of \$80,515.
- The Town's total net position increased by \$24,808 during the current fiscal year. Of this amount, an increase of \$110,732 is related to governmental activities and a decrease of \$85,924 is attributed to business-type activities.
- As of June 30, 2022, the Town's Governmental Funds reported combined ending fund balances of \$609,089, an increase of \$110,449 in comparison with the prior year. Approximately 89.74% 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 \$546,589, or approximately 115.32% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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 and Cemetery Fund, all of which are considered to be major funds.

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 supplementary information such as the budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 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	\$ 824,659	\$ 769,952	\$ 82,966	\$ 52,580	\$ 907,625	\$ 822,532
Capital assets (net)	<u>878,208</u>	<u>868,757</u>	<u>1,138,202</u>	<u>1,228,781</u>	<u>2,016,410</u>	<u>2,097,538</u>
Total Assets	1,702,867	1,638,709	1,221,168	1,281,361	2,924,035	2,920,070
Deferred Outflows of Resources	<u>11,268</u>	<u>12,144</u>	<u>3,960</u>	<u>4,801</u>	<u>15,228</u>	<u>16,945</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,714,135</u>	<u>\$ 1,650,853</u>	<u>\$ 1,225,128</u>	<u>\$ 1,286,162</u>	<u>\$ 2,939,263</u>	<u>\$ 2,937,015</u>
Liabilities						
Other liabilities	\$ 111,819	\$ 210,392	\$ 153,473	\$ 114,279	\$ 265,292	\$ 324,671
Long-term liabilities	<u>26,707</u>	<u>5,481</u>	<u>453,082</u>	<u>477,891</u>	<u>479,789</u>	<u>483,372</u>
Total Liabilities	138,526	215,873	606,555	592,170	745,081	808,043
Deferred Inflows of Resources	35,792	5,895	12,576	2,071	48,368	7,966
Net Position						
Net investment in capital assets	855,464	868,757	686,512	752,816	1,541,976	1,621,573
Unrestricted (deficit)	<u>684,353</u>	<u>560,328</u>	<u>(80,515)</u>	<u>(60,895)</u>	<u>603,838</u>	<u>499,433</u>
Total Net Position	<u>1,539,817</u>	<u>1,429,085</u>	<u>605,997</u>	<u>691,921</u>	<u>2,145,814</u>	<u>2,121,006</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,714,135</u>	<u>\$ 1,650,853</u>	<u>\$ 1,225,128</u>	<u>\$ 1,286,162</u>	<u>\$ 2,939,263</u>	<u>\$ 2,937,015</u>

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	\$ 43,999	\$ 36,831	\$ 219,872	\$ 200,330	\$ 263,871	\$ 237,161
Operating grants and contributions	208,760	33,207	-	-	208,760	33,207
General Revenues						
General property taxes, real and personal	106,911	118,899	-	-	106,911	118,899
Other taxes	166,899	147,528	-	-	166,899	147,528
Grants and contributions not restricted to specific programs	30,631	50,701	-	-	30,631	50,701
Unrestricted revenues from use of money and property	6,632	11,815	-	-	6,632	11,815
Miscellaneous	9,154	12,185	-	-	9,154	12,185
Total Revenues	572,986	411,166	219,872	200,330	792,858	611,496
Expenses						
General government administration	149,292	98,034	-	-	149,292	98,034
Public safety	162,282	195,304	-	-	162,282	195,304
Public works	91,060	111,081	-	-	91,060	111,081
Parks, recreation, and cultural	55,990	36,365	-	-	55,990	36,365
Interest on long-term debt	156	-	-	-	156	-
Enterprise activities	-	-	309,270	316,040	309,270	316,040
Total Expenses	458,780	440,784	309,270	316,040	768,050	756,824
Change in Net Position Before Transfers	114,206	(29,618)	(89,398)	(115,710)	24,808	(145,328)
Transfers in (out)	(3,474)	(1,917)	3,474	1,917	-	-
Change in Net Position	110,732	(31,535)	(85,924)	(113,793)	24,808	(145,328)
Beginning Net Position	1,429,085	1,460,620	691,921	805,714	2,121,006	2,266,334
Ending Net Position	\$ 1,539,817	\$ 1,429,085	\$ 605,997	\$ 691,921	\$ 2,145,814	\$ 2,121,006

Governmental activities increased the Town's net position by \$110,732 for fiscal year 2022. Revenues from governmental activities totaled \$572,986. Operating grants and contributions comprise the largest source of these revenues, totaling \$208,760 or 36.43% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$458,780. Public safety was the Town's largest program with expenses totaling \$162,282. General government administration, which totals \$149,292, 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	\$ 149,292	\$ (112,287)	\$ 98,034	\$ (61,203)
Public safety	162,282	47,372	195,304	(166,947)
Public works	91,060	(91,060)	111,081	(111,081)
Parks, recreation, and cultural	55,990	(49,890)	36,365	(31,515)
Interest on long-term debt	<u>156</u>	<u>(156)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 458,780</u>	<u>\$ (206,021)</u>	<u>\$ 440,784</u>	<u>\$ (370,746)</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 \$609,089. The combined governmental fund balance increased \$110,449 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 \$546,589. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 115.32% of total fund expenditures.

The Special Revenue Fund has a total fund balance of \$62,500, all of which is assigned for ongoing maintenance of the cemetery.

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	\$ 108,800	\$ 108,800	\$103,829	\$100,000	\$ 100,000	\$ 118,446
Other	197,040	197,040	233,319	201,150	201,150	209,579
Intergovernmental	<u>45,200</u>	<u>45,200</u>	<u>233,291</u>	<u>40,400</u>	<u>40,400</u>	<u>79,058</u>
Total Revenues	351,040	351,040	570,439	341,550	341,550	407,083
Expenditures	<u>354,266</u>	<u>354,266</u>	<u>473,976</u>	<u>326,179</u>	<u>326,179</u>	<u>371,329</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,226)	(3,226)	96,463	15,371	15,371	35,754
Other Financing Sources (Uses)						
Contingency/surplus	3,226	3,226	-	(15,371)	(15,371)	-
Proceeds of loans	-	-	24,300	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(3,474)</u>	<u>-</u>	<u>-</u>	<u>(1,917)</u>
Total	<u>3,226</u>	<u>3,226</u>	<u>20,826</u>	<u>(15,371)</u>	<u>(15,371)</u>	<u>(1,917)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$117,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,837</u>

Actual revenues were more than final budget amounts by \$219,399, or 62.50%, while actual expenditures were \$119,710, or 33.79% more than final budget amounts, due to the budget not being amended for grant funds received and, subsequently, disbursed.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2022, the Town's governmental activities net capital assets total \$878,208, which represents a net increase of \$9,451 or 1.09% over the previous fiscal year-end balance. The business-type activities net capital assets total \$1,138,202, a net decrease of \$90,579 or 7.37% 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	\$ 103,700	\$ -	\$ 103,700
Buildings and improvements	1,904,458	-	1,904,458
Furniture, equipment, and vehicles	<u>750,459</u>	<u>86,892</u>	<u>837,351</u>
Total Capital Assets	2,758,617	86,892	2,845,509
Less: Accumulated depreciation and amortization	<u>(1,889,860)</u>	<u>(77,441)</u>	<u>(1,967,301)</u>
Total Capital Assets, Net	<u>\$ 868,757</u>	<u>\$ 9,451</u>	<u>\$ 878,208</u>

Business-Type Activities

	<u>Balance July 1, 2021</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2022</u>
Land	\$ 2,900	\$ -	\$ 2,900
Infrastructure	20,711	-	20,711
Machinery and equipment	<u>3,757,016</u>	<u>-</u>	<u>3,757,016</u>
Total Capital Assets	3,780,627	-	3,780,627
Less: Accumulated depreciation and amortization	<u>(2,551,846)</u>	<u>(90,579)</u>	<u>(2,642,425)</u>
Total Capital Assets, Net	<u>\$ 1,228,781</u>	<u>\$ (90,579)</u>	<u>\$ 1,138,202</u>

Long-Term Debt

As of June 30, 2022, the Town's long-term obligations total \$474,434.

	<u>Balance July 1, 2021</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2022</u>
Governmental Activities			
Long-term debt	\$ -	\$ 22,744	\$ 22,744
Total Governmental Activities	-	22,744	22,744
Business-Type Activities			
Long-term debt	<u>475,965</u>	<u>(24,275)</u>	<u>451,690</u>
Total Business-Type Activities	<u>475,965</u>	<u>(24,275)</u>	<u>451,690</u>
Total Primary Government	<u>\$ 475,965</u>	<u>\$ (1,531)</u>	<u>\$ 474,434</u>

More detailed information on the Town's long-term obligations is presented in Note 8 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-2022 budget.

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

According to the 2020 U.S. Census, the population in the Town of Burkeville, Virginia was 449.

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 \$391,677, a 10.56% increase over the fiscal year 2022 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 the Mayor or the Clerk/Treasurer, Town of Burkeville, Virginia, P. O. Box 277, Burkeville, Virginia 23922, telephone 434-767-4095.

BASIC FINANCIAL STATEMENTS

Town of Burkeville, Virginia

Statement of Net Position

At June 30, 2022

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Current Assets			
Cash and investments	\$ 700,894	\$ -	\$ 700,894
Receivables, net	26,814	49,756	76,570
Due from other governments	<u>2,429</u>	<u>-</u>	<u>2,429</u>
Total Current Assets	730,137	49,756	779,893
Noncurrent Assets			
Land and land improvements	103,700	2,900	106,600
Other capital assets, net of accumulated depreciation	<u>774,508</u>	<u>1,135,302</u>	<u>1,909,810</u>
Total Noncurrent Assets	878,208	1,138,202	2,016,410
Other Assets			
Net pension asset	94,461	33,189	127,650
Net other postemployment benefits asset	<u>61</u>	<u>21</u>	<u>82</u>
Total Other Assets	<u>94,522</u>	<u>33,210</u>	<u>127,732</u>
Total Assets	1,702,867	1,221,168	2,924,035
Deferred Outflows of Resources			
Pension	9,816	3,450	13,266
Other postemployment benefits	<u>1,452</u>	<u>510</u>	<u>1,962</u>
Total Deferred Outflows of Resources	<u>11,268</u>	<u>3,960</u>	<u>15,228</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,714,135</u>	<u>\$ 1,225,128</u>	<u>\$ 2,939,263</u>
Liabilities			
Current Liabilities			
Pooled cash deficit	\$ -	\$ 134,974	\$ 134,974
Accounts payable and accrued expenses	10,805	44	10,849
Customer deposits	-	18,455	18,455
Unearned grants	<u>101,014</u>	<u>-</u>	<u>101,014</u>
Total Current Liabilities	111,819	153,473	265,292
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and other	4,698	25,161	29,859
<i>Due in more than one year</i>			
Net OPEB liability	3,963	1,392	5,355
Bonds, loans, and other	<u>18,046</u>	<u>426,529</u>	<u>444,575</u>
Total Long-Term Liabilities	22,744	451,690	474,434
Total Liabilities	138,526	606,555	745,081
Deferred Inflows of Resources			
Pension	33,458	11,756	45,214
Other postemployment benefits	<u>2,334</u>	<u>820</u>	<u>3,154</u>
Total Deferred Inflows of Resources	35,792	12,576	48,368
Net Position			
Net investment in capital assets	855,464	686,512	1,541,976
Unrestricted (deficit)	<u>684,353</u>	<u>(80,515)</u>	<u>603,838</u>
Total Net Position	<u>1,539,817</u>	<u>605,997</u>	<u>2,145,814</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,714,135</u>	<u>\$ 1,225,128</u>	<u>\$ 2,939,263</u>

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

Town of Burkeville, Virginia

Statement of Activities

For the Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	
Primary Government						
Governmental Activities						
General government administration	\$ 149,292	\$ 37,005	\$ -	\$ (112,287)		\$ (112,287)
Public safety	162,282	6,994	202,660	47,372		47,372
Public works	91,060	-	-	(91,060)		(91,060)
Parks, recreation, and cultural	55,990	-	6,100	(49,890)		(49,890)
Interest on long-term debt	<u>156</u>	<u>-</u>	<u>-</u>	<u>(156)</u>		<u>(156)</u>
Total Governmental Activities	458,780	43,999	208,760	(206,021)		(206,021)
Business-Type Activities						
Water Fund	155,939	106,997	-	-	\$ (48,942)	(48,942)
Sewer Fund	<u>153,331</u>	<u>112,875</u>	<u>-</u>	<u>-</u>	<u>(40,456)</u>	<u>(40,456)</u>
Total Business-Type Activities	<u>309,270</u>	<u>219,872</u>	<u>-</u>	<u>-</u>	<u>(89,398)</u>	<u>(89,398)</u>
Total Primary Government	<u>\$ 768,050</u>	<u>\$ 263,871</u>	<u>\$ 208,760</u>	(206,021)	(89,398)	(295,419)
General Revenues						
Taxes						
General property taxes, real and personal				106,911	-	106,911
Other local taxes				166,899	-	166,899
Grants and contributions not restricted to specific programs				30,631	-	30,631
Unrestricted revenues from use of money and property				6,632	-	6,632
Miscellaneous				9,154	-	9,154
Transfers				<u>(3,474)</u>	<u>3,474</u>	<u>-</u>
Total General Revenues and Transfers				<u>316,753</u>	<u>3,474</u>	<u>320,227</u>
Change in Net Position				110,732	(85,924)	24,808
Net Position - Beginning of Year				<u>1,429,085</u>	<u>691,921</u>	<u>2,121,006</u>
Net Position - End of Year				<u>\$ 1,539,817</u>	<u>\$ 605,997</u>	<u>\$ 2,145,814</u>

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

Town of Burkeville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2022

	General Fund	Cemetery Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 638,394	\$ 74,739	\$ 713,133
Other receivables	17,585	-	17,585
Property taxes receivable, net	9,229	-	9,229
Due from other governments	<u>2,429</u>	<u>-</u>	<u>2,429</u>
Total Assets	<u>\$ 667,637</u>	<u>\$ 74,739</u>	<u>\$ 742,376</u>
Liabilities			
Pooled cash deficit	\$ -	\$ 12,239	\$ 12,239
Accounts payable and accrued liabilities	10,805	-	10,805
Unearned grants	<u>101,014</u>	<u>-</u>	<u>101,014</u>
Total Liabilities	111,819	12,239	124,058
Deferred Inflows of Resources			
Unavailable revenue - taxes	<u>9,229</u>	<u>-</u>	<u>9,229</u>
Total Deferred Inflows of Resources	9,229	-	9,229
Fund Balance			
Assigned	-	62,500	62,500
Unassigned	<u>546,589</u>	<u>-</u>	<u>546,589</u>
Total Fund Balance	<u>546,589</u>	<u>62,500</u>	<u>609,089</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 667,637</u>	<u>\$ 74,739</u>	<u>\$ 742,376</u>

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

Town of Burkeville, Virginia

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

At June 30, 2022

Total Fund Balances for Governmental Funds	\$ 609,089
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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	\$ 103,700
Buildings and improvements, net of accumulated depreciation	692,294
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>82,214</u>

Total Capital Assets	878,208
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds statement.

Unavailable revenue - taxes	9,229
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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 pensions	9,816
Deferred outflows of resources related to other post-employment benefits	1,452
Deferred inflows of resources related to pensions	(33,458)
Deferred inflows of resources related to other post-employment benefits	<u>(2,334)</u>

Total Deferred Outflows and Inflows of Resources	(24,524)
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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:

Notes payable	(22,744)
Net pension (liability) asset	94,461
Net OPEB (liability) asset	<u>(3,902)</u>

Total Net Position of Governmental Activities	<u>\$ 1,539,817</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Burkeville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2022

	General Fund	Cemetery Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 103,829	\$ -	\$ 103,829
Other local taxes	166,899	-	166,899
Fines and forfeitures	6,994	-	6,994
Use of money and property	703	5,929	6,632
Charges for services	37,005	-	37,005
Recovered costs	7,644	-	7,644
Miscellaneous	14,074	1,180	15,254
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	58,317	-	58,317
Revenue from Federal government	<u>174,974</u>	<u>-</u>	<u>174,974</u>
Total Revenues	570,439	7,109	577,548
Expenditures			
Current			
General government administration	142,116	-	142,116
Public safety	217,190	-	217,190
Public works	79,359	-	79,359
Parks, recreation, and cultural	33,599	13,949	47,548
Debt service	<u>1,712</u>	<u>-</u>	<u>1,712</u>
Total Expenditures	<u>473,976</u>	<u>13,949</u>	<u>487,925</u>
Excess (Deficiency) of Revenues Over Expenditures	96,463	(6,840)	89,623
Other Financing Sources (Uses)			
Proceeds of loans	24,300	-	24,300
Transfers in (out)	<u>(3,474)</u>	<u>-</u>	<u>(3,474)</u>
Total Other Financing Sources (Uses)	<u>20,826</u>	<u>-</u>	<u>20,826</u>
Net Change in Fund Balance	117,289	(6,840)	110,449
Fund Balance - Beginning of Year	<u>429,300</u>	<u>69,340</u>	<u>498,640</u>
Fund Balance - End of Year	<u>\$ 546,589</u>	<u>\$ 62,500</u>	<u>\$ 609,089</u>

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

Town of Burkeville, 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 \$ 110,449

**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	\$ 86,892	
Depreciation	<u>(77,441)</u>	
		9,451

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.

3,082

Bonds, long-term purchase obligations, and lease proceeds 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 in the Statement of Net Position.

Issuance of long-term debt	(24,300)	
Repayments on debt	<u>1,556</u>	
Net Adjustment		(22,744)

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

Net pension asset	39,688	
Deferred inflows - pension	(28,621)	
Deferred inflows - OPEB	(1,276)	
Deferred outflows - pension	(1,054)	
Deferred outflows - OPEB	178	
Net other postemployment benefits	<u>1,579</u>	
		<u>10,494</u>

Change in Net Position of Governmental Activities \$ 110,732

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

Town of Burkeville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	20,741	29,015	49,756
Total Current Assets	20,741	29,015	49,756
Capital Assets			
Land	2,900	-	2,900
Infrastructure	1,616,297	2,140,719	3,757,016
Machinery and equipment	20,711	-	20,711
Less: Accumulated depreciation	(1,297,254)	(1,345,171)	(2,642,425)
Total Capital Assets	342,654	795,548	1,138,202
Other Assets			
Net pension asset	28,083	5,106	33,189
Net other postemployment benefits asset	18	3	21
Total Other Assets	28,101	5,109	33,210
Total Assets	391,496	829,672	1,221,168
Deferred Outflows of Resources			
Pension	2,919	531	3,450
Other postemployment benefits	432	78	510
Total Deferred Outflows of Resources	3,351	609	3,960
Total Assets and Deferred Outflows of Resources	<u>\$ 394,847</u>	<u>\$ 830,281</u>	<u>\$ 1,225,128</u>
Liabilities			
Current Liabilities			
Pooled cash deficit	\$ 93,689	\$ 41,285	\$ 134,974
Accounts payable and accrued expenses	44	-	44
Customer deposits	18,455	-	18,455
Current portion of general obligation bonds	-	23,955	23,955
Total Current Liabilities	112,188	65,240	177,428
Noncurrent Liabilities			
General obligation bonds (net of current portion)	-	427,735	427,735
Net other postemployment benefits liability	1,178	214	1,392
Total Noncurrent Liabilities	1,178	427,949	429,127
Total Liabilities	113,366	493,189	606,555
Deferred Inflows of Resources			
Pension	9,947	1,809	11,756
Other postemployment benefits	694	126	820
Total Deferred Inflows of Resources	10,641	1,935	12,576
Net Position			
Net investment in capital assets	342,654	343,858	686,512
Unrestricted (deficit)	(71,814)	(8,701)	(80,515)
Total Net Position	270,840	335,157	605,997
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 394,847</u>	<u>\$ 830,281</u>	<u>\$ 1,225,128</u>

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

Town of Burkeville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2022

Business-Type Activities - Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 102,730	\$ 112,875	\$ 215,605
Connection and other fees	2,267	-	2,267
Miscellaneous	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Operating Revenues	106,997	112,875	219,872
Operating Expenses			
Salaries and wages	36,273	13,600	49,873
Fringe benefits	9,215	6,259	15,474
Chemicals	6,854	-	6,854
Depreciation	37,061	53,518	90,579
Insurance	4,216	2,756	6,972
Miscellaneous	1,798	292	2,090
Repairs and maintenance	49,475	28,005	77,480
Sewer treatment	-	22,200	22,200
Supplies and postage	461	290	751
Utilities	6,388	4,953	11,341
Vehicle	3,187	709	3,896
Water sample fees	<u>1,011</u>	<u>-</u>	<u>1,011</u>
Total Operating Expenses	<u>155,939</u>	<u>132,582</u>	<u>288,521</u>
Operating Loss	(48,942)	(19,707)	(68,649)
Nonoperating Revenues (Expenses)			
Interest expense on bonds	<u>-</u>	<u>(20,749)</u>	<u>(20,749)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(20,749)</u>	<u>(20,749)</u>
Loss Before Operating Transfers	(48,942)	(40,456)	(89,398)
Operating Transfers In (Out)	<u>2,536</u>	<u>938</u>	<u>3,474</u>
Change in Net Position	(46,406)	(39,518)	(85,924)
Total Net Position - Beginning of Year	<u>317,246</u>	<u>374,675</u>	<u>691,921</u>
Total Net Position - End of Year	<u>\$ 270,840</u>	<u>\$ 335,157</u>	<u>\$ 605,997</u>

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

Town of Burkeville, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2022

Business-Type Activities - Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 102,645	\$ 102,356	\$ 205,001
Payments to personnel and related costs	(48,077)	(20,423)	(68,500)
Payments to suppliers	<u>(57,104)</u>	<u>(37,847)</u>	<u>(94,951)</u>
Net Cash Provided by (Used in) Operating Activities	(2,536)	44,086	41,550
Cash Flows from Noncapital Financing Activities			
Transfers from (to) other funds	<u>2,536</u>	<u>938</u>	<u>3,474</u>
Net Cash Provided by Noncapital Financing Activities	2,536	938	3,474
Cash Flows from Capital and Related Financing Activities			
Principal paid on capital debt	-	(24,275)	(24,275)
Interest paid on capital debt	<u>-</u>	<u>(20,749)</u>	<u>(20,749)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>(45,024)</u>	<u>(45,024)</u>
Net (Increase) Decrease in Cash	-	-	-
Cash - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	\$ (48,942)	\$ (19,707)	\$ (68,649)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities</i>			
Depreciation expense	37,061	53,518	90,579
<i>Changes in assets and liabilities</i>			
Receivables	(5,902)	(10,519)	(16,421)
Pooled cash deficit	16,989	21,989	38,978
Accounts payable and accrued expenses	(703)	(631)	(1,334)
Customer deposits	1,550	-	1,550
Deferred outflows - OPEB	174	13	187
Deferred outflows - pension	617	37	654
Net pension asset	(11,799)	(2,145)	(13,944)
Net OPEB asset	(18)	(3)	(21)
Net OPEB liability	(451)	(83)	(534)
Deferred inflows - OPEB	379	69	448
Deferred inflows - pension	<u>8,509</u>	<u>1,548</u>	<u>10,057</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (2,536)</u>	<u>\$ 44,086</u>	<u>\$ 41,550</u>

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

Town of Burkeville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2022

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Burkeville, Virginia (the "Town"), which was founded in 1877, has a population of approximately 449 living within an area of 1 square mile. The Town is located in the western area in Nottoway County, Virginia. The Town is governed by a Town Mayor and a seven-member Town Council with each serving administrative and legislative functions.

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

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

1-A. Financial Reporting Entity

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

1-B. Financial Reporting Model

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

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

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

GASB-Required Supplementary OPEB – GASB issued Statement No. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

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

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

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Cemetery Fund – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.
- *Capital Projects Funds* – The Capital Projects Funds account 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 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 accounts 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. The Town has no Fiduciary Funds at this time.

1-D. Measurement Focus and Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). 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, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, public safety, public works, parks, recreation, and cultural, etc.) 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 Cemetery Fund, which has a separate bank account. 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. The allowance amount at this time is as follows:

General Fund - taxes receivable

\$ 30,783

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

A 10% or \$2.00 penalty, whichever is greater, 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 January 1.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position 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 \$500. The Town's infrastructure consists primarily of water distribution and waste water collection 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 40 years
Furniture and other equipment	5 to 25 years

1-E-6 Deferred Outflows/Inflows of Resources

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

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

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable.

1-E-7 Pensions

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

1-E-8 Group Life Insurance Program

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-9 Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability

Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, 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 the 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

The Town adopted the following GASB statements during the year ended June 30, 2022:

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.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for the fiscal year ending June 30, 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. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to May 1, the Town Mayor 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.
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.

Expenditures in Excess of Appropriations

General fund expenditures exceeded appropriations.

Fund Deficits

No governmental funds had fund deficits.

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.

The Town's investments consist of the following:

	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>
Certificates of Deposit	\$ 354,096	Less than 1 year

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	\$ 354,096

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deposits and Investments			
Cash on hand	\$ 100	\$ -	\$ 100
Demand deposits (deficit)	346,698	(134,974)	211,724
Certificates of deposit	<u>354,096</u>	<u>-</u>	<u>354,096</u>
	<u>\$ 700,894</u>	<u>\$ (134,974)</u>	<u>\$ 565,920</u>
Statement of Net Position			
Deposits and Investments			
Cash and cash equivalents	<u>\$ 700,894</u>	<u>\$ (134,974)</u>	<u>\$ 565,920</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>		<u>Total</u>	<u>Total Primary Government</u>
		<u>Water</u>	<u>Sewer</u>		
Property taxes	\$ 40,012	\$ -	\$ -	\$ -	\$ 40,012
Other	6,963	-	-	-	6,963
Service revenue	<u>10,622</u>	<u>20,741</u>	<u>29,015</u>	<u>49,756</u>	<u>60,378</u>
Subtotal	57,597	20,741	29,015	49,756	107,353
Less: Allowance	<u>(30,783)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,783)</u>
Net Receivables	<u>\$ 26,814</u>	<u>\$ 20,741</u>	<u>\$ 29,015</u>	<u>\$ 49,756</u>	<u>\$ 76,570</u>

5 Interfund Transfers

Interfund transfers for the Year Ended June 30, 2022 consisted of the following:

Primary Government	Transfer to	Transfer from
General Fund		
To Water Fund	\$ 2,536	\$ -
To Sewer Fund	938	-
Water Fund		
From General Fund	-	2,536
Sewer Fund		
From General Fund	<u>-</u>	<u>938</u>
Total Transfers	<u>\$ 3,474</u>	<u>\$ 3,474</u>

Transfers between funds were primarily to support operations of the funds.

6 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	\$ 103,700	\$ -	\$ -	\$ 103,700
Total Capital Assets Not Being Depreciated	103,700	-	-	103,700
Other Capital Assets				
Buildings and improvements	1,904,458	-	-	1,904,458
Furniture, equipment, and vehicles	<u>750,459</u>	<u>86,892</u>	<u>-</u>	<u>837,351</u>
Total Other Capital Assets	2,654,917	86,892	-	2,741,809
Less: Accumulated depreciation for				
Buildings and improvements	1,164,553	47,611	-	1,212,164
Furniture, equipment, and vehicles	<u>725,307</u>	<u>29,830</u>	<u>-</u>	<u>755,137</u>
Total Accumulated Depreciation	<u>1,889,860</u>	<u>77,441</u>	<u>-</u>	<u>1,967,301</u>
Other Capital Assets, Net	<u>765,057</u>	<u>9,451</u>	<u>-</u>	<u>774,508</u>
Net Capital Assets	<u>\$ 868,757</u>	<u>\$ 9,451</u>	<u>\$ -</u>	<u>\$ 878,208</u>

Depreciation expense was allocated as follows:

General government administration	\$ 10,897
Public safety	41,546
Public works	16,556
Parks, recreation, and cultural	<u>8,442</u>
Total Depreciation Expense	<u>\$ 77,441</u>

Business-Type Activities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 2,900	\$ -	\$ -	\$ 2,900
Total Capital Assets Not Being Depreciated	2,900	-	-	2,900
Other Capital Assets				
Infrastructure	20,711	-	-	20,711
Machinery and equipment	3,757,016	-	-	3,757,016
Total Other Capital Assets	3,777,727	-	-	3,777,727
Less: Accumulated depreciation for				
Infrastructure	2,534,409	90,112	-	2,624,521
Machinery and equipment	17,437	467	-	17,904
Total Accumulated Depreciation	2,551,846	90,579	-	2,642,425
Other Capital Assets, Net	1,225,881	(90,579)	-	1,135,302
Net Capital Assets	\$ 1,228,781	\$ (90,579)	\$ -	\$ 1,138,202

7 Compensated Absences

Each Town employee earns vacation of a maximum of three weeks a year. Sick leave is earned at 4 to 6 hours a month and no more than 60 hours can be accumulated. No provision has been recorded for compensated absences due to lack of materiality.

8 Long-Term Debt**PRIMARY GOVERNMENT**

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

Year(s) Ended June 30.	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 4,698	\$ 438	\$ 25,161	\$ 19,863
2024	4,799	337	26,317	18,707
2025	4,902	234	27,526	17,498
2026	5,007	129	28,791	16,233
2027	3,338	26	30,114	14,910
2028-2032	-	-	172,634	52,486
2033-2036	-	-	141,147	11,503
Total	\$ 22,744	\$ 1,164	\$ 451,690	\$ 151,200

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					
United States Department of Agriculture Rural Development note payable with an original balance of \$24,300. The note is payable in 60 monthly installments of \$428 with a stated interest rate of 2.125%.	\$ -	\$ 24,300	\$ 1,556	\$ 22,744	\$ 4,698
Total Governmental Activities	-	24,300	1,556	22,744	4,698
Business-Type Activities					
Enterprise Fund					
General Obligation Bond, Series 1995 payable to the Rural Economic and Community Development of the United States Department of Agriculture. The bond was payable with interest only at a rate of 4.5% on December 14, 1996 and 1997. Thereafter, it is payable in monthly installments of \$2,375 for 40 years.	299,823	-	15,433	284,390	15,082
General Obligation Bond, Series 1996 payable to the Rural Economic and Community Development of the United States Department of Agriculture. The bond was payable with interest only at a rate of 4.5% on April 22, 1997 and 1998. Thereafter, it is payable in monthly installments of \$1,377 for 40 years.	176,142	-	8,842	167,300	8,873
Total Business-Type Activities - Enterprise Fund	475,965	-	24,275	451,690	23,955
Total Primary Government	\$ 475,965	\$ 24,300	\$ 25,831	\$ 474,434	\$ 28,653

9 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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 2,845,509	\$ 3,780,627
Less: Accumulated depreciation	(1,967,301)	(2,642,425)
Book value	878,208	1,138,202
Less: Capital related debt	(22,744)	(451,690)
Net Investment in Capital Assets	\$ 855,464	\$ 686,512

10 Deferred Inflows of Resources and Unearned Revenue

Deferred inflows of resources and unearned revenue are comprised of the following:

Governmental Funds - General Fund **Deferred Inflows of Resources**

Delinquent taxes not collected within 60 days	\$ 9,229
Total Deferred Inflows of Resources	\$ 9,229

11 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. 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:

<u>Appointed Officer Insured through VRSA</u>	<u>Amount</u>
Clerk/Treasurer	\$ 100,000

12 Commitments and Contingencies

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

13 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.

14 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 27,398,345</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 2,739,835
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>22,744</u>
Legal Debt Margin - June 30, 2022	<u>\$ 2,717,091</u>

Note: Includes all long-term general obligation bonded debt.

15 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, 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.

<p>PLAN 1</p> <p><i>Retirement Contributions</i></p>	<p>PLAN 2</p> <p><i>Retirement Contributions</i></p>	<p>HYBRID RETIREMENT PLAN</p> <p><i>Retirement Contributions</i></p>
<p>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.</p>	<p>Same as Plan 1.</p>	<p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><i>Service Credit</i></p> <p>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.</p>	<p><i>Service Credit</i></p> <p>Same as Plan 1.</p>	<p><i>Service Credit</i></p> <p>Defined Benefit Component:</p> <p>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.</p>
<p><i>Vesting</i></p> <p>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.</p>	<p><i>Vesting</i></p> <p>Same as Plan 1.</p>	<p><i>Vesting</i></p> <p>Defined Benefit Component:</p> <p>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.</p>
<p>Members are always 100% vested in the contributions that they make.</p>		<p>Defined Contributions Component:</p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

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

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	2
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
LTD	0
Inactive members active elsewhere in VRS	1
Total inactive members	1
Active members	3
Total covered employees	<u>6</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 Burkeville, Virginia's contractually required contribution rate for the year ended June 30, 2022 was 5.15% 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 employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Burkeville, Virginia were \$3,528 and \$4,892 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 Burkeville, 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>		4.89%
	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 was 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

	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 257,015	\$ 331,033	\$ (74,018)
Changes for the Year			
Service cost	12,773	-	12,773
Interest	16,889	-	16,889
Assumption changes	(151)	-	(151)
Differences between expected and actual experience	16,102	-	16,102
Contributions - employer	-	4,563	(4,563)
Contributions - employee	-	4,420	(4,420)
Net investment income	-	90,477	(90,477)
Benefit payments, including refunds refunds of employee contributions	(13,626)	(13,626)	-
Administrative expenses	-	(224)	224
Other changes	-	9	(9)
Net Changes	31,987	85,619	(53,632)
Balances at June 30, 2021	<u>\$ 289,002</u>	<u>\$ 416,652</u>	<u>\$ (127,650)</u>

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

The following presents the net pension liability of the Town of Burkeville, Virginia using the discount rate of 6.75%, as well as what the Town of Burkeville, 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:

1.00% Decrease Current Discount 1.00% Increase
(5.75%) Rate (6.75%) (7.75%)

Political subdivision's
Net Pension Liability (Asset) \$ (106,153) \$ (127,650) \$ (146,533)

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 Burkeville, Virginia recognized pension expense of \$(10,047). At June 30, 2022, the Town of Burkeville, 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	\$ 9,738	\$ -
Change in assumptions	-	91
Net difference between projected and actual earnings on pension plan investments	-	45,123
Employer contributions subsequent to the measurement date	<u>3,528</u>	<u>-</u>
Total	<u><u>\$ 13,266</u></u>	<u><u>\$ 45,214</u></u>

\$3,528 reported as deferred outflows of resources related to pensions resulting from the Town of Burkeville, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended 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 as follows:

**Year Ended
June 30.**

2023	\$ (4,281)
2024	(7,028)
2025	(10,507)
2026	(13,660)
2027	-

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.

Payables to the Pension Plan

The political subdivision recognizes \$1,049 of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2022 legally required contribution to the pension plan due by July 10 per VRS reporting requirements.

16 Other Post Employment Benefits 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
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>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.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>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.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years' 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.</p>

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 \$405 and \$513 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 \$5,356 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 .00046% as compared to .00044% at June 30, 2020.

For the Year Ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$46. 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 611	\$ 41
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,278
Change in assumptions	295	733
Changes in proportionate share	247	910
Employer contributions subsequent to the measurement date	<u>405</u>	<u>-</u>
Total	<u>\$ 1,558</u>	<u>\$ 2,962</u>

\$405 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:

**Year Ended
June 30,**

2023	\$	(438)
2024		(378)
2025		(375)
2026		(548)
2027		(70)
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 and 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 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>\$ 1,164,272</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>		4.89%
	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 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	\$ 7,825	\$ 5,356	\$ 3,362

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.

Payables to the VRS Group Life Insurance OPEB Plan

The political subdivision recognizes \$147 of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents June 2022 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

17 Other Post-Employment Benefits Political Subdivision Employee Virginia Local Disability Program

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2022 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$278 and \$273 for the years ended June 30, 2022 and June 30, 2021, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2022, the political subdivision reported a liability (asset) of \$(83) for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2021 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan 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 political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .00819% as compared to .00645% at June 30, 2020.

For the year ended June 30, 2022, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$238. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 49	\$ 124
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	0	46
Change in assumptions	3	22
Changes in proportion	74	-
Employer contributions subsequent to the measurement date	<u>278</u>	<u>-</u>
Total	<u>\$ 404</u>	<u>\$ 192</u>

\$278 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP 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 Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2023	\$	(8)
2024		(8)
2025		(9)
2026		(27)
2027		(4)
Thereafter		(10)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program 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 - Political subdivision employees	3.50% - 5.35%
Investment rate of return	6.75%, including inflation

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

Pre-Retirement:

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

Post-Retirement:

Pub-2010 Amount Weighted General 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 General 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

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

**Political Subdivision
Employee
VLDP OPEB Plan**

Total Political Subdivision Employee VLDP OPEB Liability	\$	5,156
Plan Fiduciary Net Position		<u>6,166</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$	<u>(1,010)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability		
		119.59%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP 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 VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	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>		4.89%
		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 Political Subdivision Employee VLDP OPEB 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 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 political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program 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, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB 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 Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP 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%)
Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability (Asset)	\$ (44)	\$ (83)	\$ (116)

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability 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.

Payables to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan

The political subdivision recognizes \$26 of payables to a local disability program OPEB plan outstanding at the end of the reporting period. This amount represents June 2022 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

18 Aggregate OPEB Information

	Primary Government				
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	Net OPEB (Asset)	OPEB Expense
VRS OPEB Plans					
Group Life Insurance					
Primary Government	\$ 1,558	\$ 2,962	\$ 5,356	\$ -	\$ 46
Virginia Local Disability Program					
Primary Government	404	192	-	(83)	238
Totals	<u>\$ 1,962</u>	<u>\$ 3,154</u>	<u>\$ 5,356</u>	<u>\$ (83)</u>	<u>\$ 284</u>

19 Fund Balances

The following is a summary of amounts that are classified as nonspendable, restricted, committed, or assigned fund balance as applicable on the governmental funds balance sheet:

	Cemetery Fund
Assigned for cemetery maintenance	<u>\$ 62,474</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 January 26, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Burkeville, 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 estate and public service taxes	\$ 41,500	\$ 41,500	\$ 41,301	\$ (199)
Personal property and mobile home taxes	60,000	60,000	61,022	1,022
Delinquent taxes	6,500	6,500	1,504	(4,996)
Penalties and interest on taxes	800	800	2	(798)
Total General Property Taxes	108,800	108,800	103,829	(4,971)
Other Local Taxes				
Local sales and use taxes	26,000	26,000	31,414	5,414
Utility taxes	1,440	1,440	2,125	685
Motor vehicle licenses	7,000	7,000	5,742	(1,258)
Business license taxes	19,000	19,000	20,495	1,495
Bank stock tax	19,000	19,000	14,372	(4,628)
Meals tax	21,000	21,000	19,276	(1,724)
Lodging tax	51,000	51,000	73,475	22,475
Total Other Local Taxes	144,440	144,440	166,899	22,459
Fines and Forfeitures	100	100	6,994	6,894
Revenue from Use of Money and Property	2,800	2,800	703	(2,097)
Charges for Services	35,000	35,000	37,005	2,005
Recovered Costs				
Fire Department	9,500	9,500	7,644	(1,856)
Total Recovered Costs	9,500	9,500	7,644	(1,856)
Miscellaneous				
Miscellaneous	3,000	3,000	7,974	4,974
Recreational Park	2,200	2,200	6,100	3,900
Total Miscellaneous	5,200	5,200	14,074	8,874
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Communication tax	1,400	1,400	1,269	(131)
Personal Property Tax Relief Act (PPTRA)	9,800	9,800	9,765	(35)
Skills game tax	-	-	12,960	12,960
Rolling stock taxes - motor vehicle carriers tax	7,000	7,000	6,637	(363)
Total Noncategorical Aid	18,200	18,200	30,631	12,431
<i>Categorical Aid</i>				
Law enforcement grant	12,000	12,000	12,686	686
Fire program	15,000	15,000	15,000	-
Total Categorical Aid	27,000	27,000	27,686	686
Total Revenue from the Commonwealth of Virginia	45,200	45,200	58,317	13,117
<i>Revenue from the Federal Government</i>				
CARES Act	-	-	40,396	40,396
American Rescue Plan Act	-	-	104,878	104,878
Rural Development	-	-	29,700	29,700
Total Revenue from the Federal Government	-	-	174,974	174,974
Total Intergovernmental Revenue	45,200	45,200	233,291	188,091
Total Revenues	351,040	351,040	570,439	219,399

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures				
General Government Administration				
Salaries	37,100	37,100	33,526	3,574
Fringe benefits	31,693	31,693	25,632	6,061
Legal and accounting	8,000	8,000	21,481	(13,481)
Advertising	1,400	1,400	3,870	(2,470)
Insurance and bonds	1,000	1,000	911	89
Office supplies and postage	6,100	6,100	9,710	(3,610)
Telephone and utilities	5,000	5,000	14,871	(9,871)
Dues and memberships	700	700	11,679	(10,979)
Miscellaneous	3,500	3,500	20,436	(16,936)
Total General Government Administration	94,493	94,493	142,116	(47,623)
Public Safety				
<i>Police Department</i>				
Salaries	60,000	60,000	37,363	22,637
Fringe benefits	19,793	19,793	5,689	14,104
Office supplies	4,000	4,000	3,133	867
Insurance	3,000	3,000	3,129	(129)
Vehicle	5,300	5,300	4,871	429
Radio and maintenance	1,000	1,000	78	922
Uniforms and supplies	1,500	1,500	2,250	(750)
Capital outlay	-	-	53,912	(53,912)
Miscellaneous	5,450	5,450	9,994	(4,544)
Total Police Department	100,043	100,043	120,419	(20,376)
<i>Fire Department</i>				
Insurance	27,000	27,000	25,419	1,581
Grant funds	15,000	15,000	45,897	(30,897)
Dispatchers	1,500	1,500	1,333	167
Supplies and fuel	4,000	4,000	9,223	(5,223)
Telephone and utilities	5,100	5,100	5,084	16
Vehicle	10,000	10,000	9,815	185
Total Fire Department	62,600	62,600	96,771	(34,171)
Total Public Safety	162,643	162,643	217,190	(54,547)
Public Works				
<i>Building and Grounds</i>				
Repairs and maintenance	10,250	10,250	10,626	(376)
Total Building and Grounds	10,250	10,250	10,626	(376)
<i>Street Department</i>				
Salaries	22,880	22,880	19,716	3,164
Fringe benefits	-	-	1,760	(1,760)
Signs and lights	13,000	13,000	7,573	5,427
Street maintenance	1,500	1,500	3,073	(1,573)
Repairs and maintenance	1,000	1,000	694	306
Insurance	3,000	3,000	2,757	243
Gas and vehicle	3,500	3,500	5,169	(1,669)
Miscellaneous	2,500	2,500	1,548	952
Total Street Department	47,380	47,380	42,290	5,090

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Sanitation Department</i>				
Salaries	19,000	19,000	15,658	3,342
Fringe benefits	-	-	1,241	(1,241)
Miscellaneous	500	500	2,190	(1,690)
Insurance	3,500	3,500	3,243	257
Gas and vehicle	<u>5,000</u>	<u>5,000</u>	<u>4,111</u>	<u>889</u>
Total Sanitation Department	<u>28,000</u>	<u>28,000</u>	<u>26,443</u>	<u>1,557</u>
Total Public Works	85,630	85,630	79,359	6,271
Parks, Recreation, and Cultural				
Recreational park	3,000	3,000	4,046	(1,046)
Train station	2,500	2,500	23,702	(21,202)
Library	<u>6,000</u>	<u>6,000</u>	<u>5,851</u>	<u>149</u>
Total Parks, Recreation, and Cultural	<u>11,500</u>	<u>11,500</u>	<u>33,599</u>	<u>(22,099)</u>
Debt Service	<u>-</u>	<u>-</u>	<u>1,712</u>	<u>(1,712)</u>
Total Expenditures	<u>354,266</u>	<u>354,266</u>	<u>473,976</u>	<u>(119,710)</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,226)	(3,226)	96,463	99,689
Other Financing Sources (Uses)				
Contingency/surplus	3,226	3,226	-	(3,226)
Proceeds of loans	-	-	24,300	24,300
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(3,474)</u>	<u>(3,474)</u>
Total Other Financing Sources (Uses)	<u>3,226</u>	<u>3,226</u>	<u>20,826</u>	<u>17,600</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 117,289	<u>\$ 117,289</u>
Fund Balance - Beginning of Year			<u>429,300</u>	
Fund Balance - End of Year			<u>\$ 546,589</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Cemetery Fund				
Revenues				
Revenue from Use of Money and Property	\$ 2,600	\$ 2,600	\$ 5,929	\$ 3,329
Miscellaneous				
Maintenance	2,000	2,000	180	(1,820)
Other	<u>600</u>	<u>600</u>	<u>1,000</u>	<u>400</u>
Total Miscellaneous	<u>2,600</u>	<u>2,600</u>	<u>1,180</u>	<u>(1,420)</u>
Total Revenues	5,200	5,200	7,109	1,909
Expenditures				
Parks, Recreation, and Cultural				
Maintenance	<u>11,600</u>	<u>11,600</u>	<u>13,949</u>	<u>(2,349)</u>
Total Parks, Recreation, and Cultural	<u>11,600</u>	<u>11,600</u>	<u>13,949</u>	<u>(2,349)</u>
Total Expenditures	<u>11,600</u>	<u>11,600</u>	<u>13,949</u>	<u>(2,349)</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,400)	(6,400)	(6,840)	(440)
Other Financing Sources (Uses)				
Contingency/surplus	6,400	6,400	-	(6,400)
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	6,400	6,400	-	(6,400)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(6,840)	<u>\$ (6,840)</u>
Fund Balance - Beginning of Year			<u>69,340</u>	
Fund Balance - End of Year			<u>\$ 62,500</u>	

Town of Burkeville, 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	\$ 12,773	\$ 15,813	\$ 14,416	\$ 14,440	\$ 14,701	\$ 14,216	\$ 14,787	\$ 14,868
Interest	16,889	16,767	16,316	15,361	14,638	13,181	11,326	9,797
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	16,102	(16,910)	(12,035)	(13,125)	(6,041)	(3,674)	3,268	-
Changes of assumptions	(151)	-	5,246	-	(10,055)	-	-	-
Benefit payments	<u>(13,626)</u>	<u>(14,117)</u>	<u>(3,128)</u>	<u>(2,940)</u>	<u>(2,904)</u>	<u>(2,900)</u>	<u>(2,854)</u>	<u>(2,813)</u>
Net change in total pension liability	31,987	1,553	20,815	13,736	10,339	20,823	26,527	21,852
Total pension liability - beginning	<u>257,015</u>	<u>255,462</u>	<u>234,647</u>	<u>220,911</u>	<u>210,572</u>	<u>189,749</u>	<u>163,222</u>	<u>141,370</u>
Total pension liability - ending (a)	<u>\$ 289,002</u>	<u>\$ 257,015</u>	<u>\$ 255,462</u>	<u>\$ 234,647</u>	<u>\$ 220,911</u>	<u>\$ 210,572</u>	<u>\$ 189,749</u>	<u>\$ 163,222</u>
 Plan fiduciary net position								
Contributions - employer	\$ 4,563	\$ 5,307	\$ 6,299	\$ 7,544	\$ 7,386	\$ 9,675	\$ 9,453	\$ 12,699
Contributions - employee	4,420	4,233	5,080	5,016	4,911	4,911	4,799	4,686
Net investment income	90,477	6,312	20,676	20,360	29,137	4,222	9,320	25,728
Benefit payments	(13,626)	(14,117)	(3,128)	(2,940)	(2,904)	(2,900)	(2,854)	(2,813)
Refunds of contributions	-	-	-	-	-	-	-	-
Administrator charges	(224)	(213)	(189)	(164)	(156)	(126)	(114)	(125)
Other	<u>9</u>	<u>(7)</u>	<u>(13)</u>	<u>(19)</u>	<u>(26)</u>	<u>(2)</u>	<u>(2)</u>	<u>1</u>
Net change in plan fiduciary net position	85,619	1,515	28,725	29,797	38,348	15,780	20,602	40,176
Plan fiduciary net position - beginning	<u>331,033</u>	<u>329,518</u>	<u>300,793</u>	<u>270,996</u>	<u>232,648</u>	<u>216,868</u>	<u>196,266</u>	<u>156,090</u>
Plan fiduciary net position - ending (b)	<u>\$ 416,652</u>	<u>\$ 331,033</u>	<u>\$ 329,518</u>	<u>\$ 300,793</u>	<u>\$ 270,996</u>	<u>\$ 232,648</u>	<u>\$ 216,868</u>	<u>\$ 196,266</u>
 Political subdivision's net pension liability (asset) - ending (a-b)	<u>\$ (127,650)</u>	<u>\$ (74,018)</u>	<u>\$ (74,056)</u>	<u>\$ (66,146)</u>	<u>\$ (50,085)</u>	<u>\$ (22,076)</u>	<u>\$ (27,119)</u>	<u>\$ (33,044)</u>
 Plan fiduciary net position as a percentage of the total Pension liability	144.17%	128.80%	128.99%	128.19%	122.67%	110.48%	114.29%	120.24%
 Covered payroll	\$ 94,989	\$ 89,452	\$ 101,597	\$ 100,322	\$ 98,222	\$ 98,743	\$ 95,972	\$ 93,722
 Political subdivision's net pension liability as a percentage of covered payroll	-134.38%	-82.75%	-72.89%	-65.93%	-50.99%	-22.36%	-28.26%	-35.26%

Town of Burkeville, 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	\$ 3,864	\$ 3,864	\$ -	\$ 75,022	5.15%
2021	4,892	4,892	-	94,989	5.15%
2020	5,546	5,546	-	89,452	6.20%
2019	6,299	6,299	-	101,597	6.20%
2018	7,545	7,545	-	100,322	7.52%
2017	7,386	7,386	-	98,222	7.52%
2016	9,726	9,726	-	98,743	9.85%
2015	9,453	9,453	-	95,972	9.85%
2014	12,699	12,699	-	93,722	13.55%
2013	12,327	11,624	703	90,972	12.78%
2012	11,445	10,509	936	86,639	12.13%

*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 Burkeville, Virginia

Notes to Required Supplemental 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 Burkeville, Virginia

Schedule of Employer's Share of Net OPEB Liability

Group Life Insurance Plan (GLI)

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)	0.00046%	0.00044%	0.00052%	0.00053%	0.00053%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 5,356	\$ 7,343	\$ 8,462	\$ 9,000	\$ 8,000
Employer's Covered Payroll	\$ 94,989	\$ 89,452	\$ 101,597	\$ 100,322	\$ 98,222
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.64%	8.21%	8.33%	8.97%	8.14%
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 Burkeville, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB 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	\$ 405	\$ 405	\$ -	\$ 75,022	0.54%
2021	513	513	-	94,989	0.54%
2020	465	465	-	89,452	0.52%
2019	528	528	-	101,597	0.52%
2018	522	522	-	100,322	0.52%
2017	511	511	-	98,222	0.52%
2016	471	471	-	98,222	0.48%
2015	461	461	-	95,972	0.48%
2014	450	450	-	93,722	0.48%
2013	437	437	-	90,972	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 Burkeville, Virginia

Notes to Required Supplemental Information – Group Life Insurance Plan

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

Town of Burkeville, Virginia

Schedule of Employer's Share of Net OPEB Liability

Virginia Local Disability Program (VLDP) - Political Subdivisions

For the Measurement Dates of June 30, 2017 through 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.00819%	0.00645%	0.00000%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ (83)	\$ 64	\$ -
Employer's Covered Payroll	\$ 32,900	\$ 24,000	\$ -
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.25%	0.27%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	119.59%	76.84%	49.19%

*Schedule is intended to show information for 10 years.
Since the Town did not begin participating until FY2020, information is unavailable. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 133 of the VRS 2021 Annual Report.

Town of Burkeville, Virginia

Schedule of Employer Contributions

Virginia Local Disability Program

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	\$ 278	\$ 278	\$ -	\$ 33,547	0.83%
2021	273	273	-	32,900	0.83%
2020	173	173	-	24,000	0.72%
2019	N/A	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A

For Reference Only:

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

Column 2 - Actual employer contribution remitted to VRS

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

Town of Burkeville , Virginia

Notes to Required Supplementary Information – OPEB VLDP

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 and Non-Hazardous Duty 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

COMPLIANCE SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Kimberly W. Jackson, CPA*

Sherwood H. Creedle, Founder

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

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 Burkeville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Burkeville, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Burkeville, Virginia's basic financial statements and have issued our report thereon dated January 26, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that we consider to be material weaknesses. [2022-001 and 2022-002].

Compliance and Other Matters

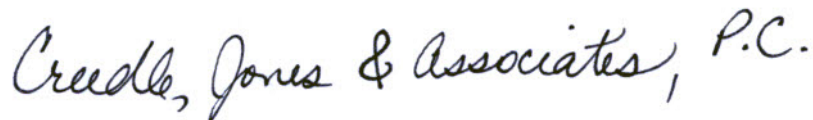
As part of obtaining reasonable assurance about whether Town of Burkeville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

Town of Burkeville, Virginia's Response to Findings

Town of Burkeville, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Burkeville, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 "Creadle, Jones & Associates, P.C." in a cursive script.

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

South Hill, Virginia
January 26, 2024

Town of Burkeville, Virginia

Schedule of Findings and Responses

For the Year Ended June 30, 2022

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the audited financial statements were prepared in accordance with GAAP: Disclaimer of Opinion

Internal control over financial reporting:

- | | |
|--|---------------|
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | None Reported |

Noncompliance material to financial statements noted? No

Findings – Financial Statements Audit

Material Weaknesses

2022-001 (Repeat Finding 2021-001)

Condition:

The Town's cash and related revenue/expenditure accounts are not reconciled timely.

Criteria:

The Town should have a system in place to reduce the likelihood of errors in financial reporting.

Cause:

The Town does not have a process in place to timely reconcile cash and related revenue/expenditure accounts.

Effect:

There is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, detected and corrected in a timely.

Identification of Repeat Finding

This finding was a repeat of a finding in the immediate prior audit (2021-001).

Recommendation:

We recommend the Town implement procedures to timely reconcile all cash and related revenue/expenditure accounts.

Views of Responsible Officials and Planning Corrective Actions:

Management will continue corrective action for FY22 and thereafter by implementing procedures related to bank reconciliations.

2022-002 (Repeat Finding 2021-002)

Condition:

The Town's financial statements required material adjustments at the conclusion of audit fieldwork to ensure that such statements complied with Generally Accepted Accounting Principles (GAAP). Audit adjusting entries were proposed to record and correct accounts receivable, accounts payable, the allowance for doubtful accounts, cash balances, beginning net position, revenues, fixed assets, and to correct the posting of certain fringe benefits.

Criteria:

Per Statement of Auditing Standards 115, identification of material adjustments to the financial statements that are not detected by the entity's internal controls indicates that a material weakness still exists.

Cause:

Town management failed to identify all year-end accounting adjustments in a timely manner necessary for the Town's financial statements to be prepared in accordance with current reporting standards. Town management does not have proper controls in place to detect all adjustments in closing their year-end financial statements and to reconcile financial activity to ensure timely reporting.

Effect:

There is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented by the entity's internal controls over financial reporting.

Identification of Repeat Finding

This finding was a repeat of a finding in the immediate prior audit (2021-002).

Recommendation:

Town management should have procedures in place to properly identify and record year-end closing entries to the accounting system in a timely manner.

Views of Responsible Officials and Planning Corrective Actions:

The Town is considering corrective action for the upcoming fiscal year-end.

Town of Burkeville, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Financial Statements

Finding 2021-001

Condition:

The Town's cash and related revenue/expenditure accounts are not reconciled timely.

Recommendation:

We recommend the Town implement procedures to timely reconcile all cash and related revenue/expenditure accounts.

Current Status:

Management is still implementing procedures related to bank reconciliations.

Finding 2021-002

Condition :

The Town's financial statements required material adjustments at the conclusion of audit fieldwork to ensure that such statements complied with Generally Accepted Accounting Principles (GAAP). Audit adjusting entries were proposed to record and correct accounts receivable, accounts payable, the allowance for doubtful accounts, cash balances, beginning net position, revenues, fixed assets, and to correct the posting of certain fringe benefits.

Recommendation:

Town management should have procedures in place to properly identify and record year-end closing entries to the accounting system in a timely manner.

Current Status:

The Town is considering corrective action for the upcoming fiscal year-end.