

CITY OF COVINGTON, VIRGINIA

ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2021

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TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-12

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	13
Statement of Activities	2	14
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	18
Statement of Net Position - Proprietary Funds	7	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	20
Statement of Cash Flows - Proprietary Funds	9	21
Statement of Fiduciary Net Position - Fiduciary Funds	10	22
Statement of Changes in Net Position - Fiduciary Funds	11	23
Notes to the Financial Statements		24-104

Required Supplementary Information:

Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:		
General Fund	12	105
CARES Fund	13	106
Pension Plans:		
Schedule of Changes in Net Pension Liability and Related Ratios - Primary Government	14	107
Schedule of Changes in Net Pension Liability and Related Ratios - Component Unit School Board (nonprofessional)	15	108
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	16	109
Schedule of Employer Contributions	17	110
Notes to Required Supplementary Information	18	111

**CITY OF COVINGTON, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information: (Continued)		
Other Postemployment Benefits - Healthcare - Primary Government		
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios	19	112
Notes to Required Supplementary Information	20	113
Other Postemployment Benefits - Healthcare - Component Unit School Board		
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios	21	114
Notes to Required Supplementary Information	22	115
Other Postemployment Benefits - Group Life Insurance (GLI) Plan		
Schedule of Employer's Share of Net OPEB Liability	23	116
Schedule of Employer's Contributions	24	117
Notes to Required Supplementary Information	25	118
Other Postemployment Benefits - Health Insurance Credit (HIC) Plan		
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios - Primary Government	26	119
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios - Component Unit School Board (nonprofessional)	27	120
Schedule of Employer's Contributions	28	121
Notes to Required Supplementary Information	29	122
Other Postemployment Benefits - Teacher Employee Health Insurance Credit (HIC) Plan		
Schedule of School Board's Share of Net OPEB Liability	30	123
Schedule of Employer's Contributions	31	124
Notes to Required Supplementary Information	32	125
Other Supplementary Information:		
Individual Fund Financial Statements and Schedules:		
Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:		
City Capital Projects Fund	33	126
Discretely Presented Component Unit - School Board:		
Balance Sheet	34	127
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	35	128
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	36	129
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	<u>Schedule</u>	<u>Page</u>
Schedule of Expenditures - Budget and Actual - Governmental Funds	1	130-134
	2	135-139

**CITY OF COVINGTON, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

	<u>Table</u>	<u>Page</u>
Other Statistical Information:		
Government-wide information:		
Government-Wide Expenses by Function	1	140
Government-Wide Revenues	2	141
Fund information:		
General Governmental Expenditures by Function	3	142
General Governmental Revenues by Source	4	143
Property Tax Levies and Collections	5	144
Assessed Value of Taxable Property	6	145
Property Tax Rates	7	146
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita ...	8	147
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures.....	9	148
Computation of Legal Debt Margin	10	149

COMPLIANCE SECTION

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	150-151
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	152-153
Schedule of Expenditures of Federal Awards	154-155
Schedule of Findings and Questioned Costs	156-157
Summary Schedule of Prior Audit Findings	158

INTRODUCTORY SECTION

CITY OF COVINGTON, VIRGINIA

CITY COUNCIL

David S. Crosier, Vice-Mayor	Thomas H. Sibold, Jr., Mayor	William E. "Lance" Carson, Jr.
Raymond C. Hunter		S. Allan Tucker

CITY SCHOOL BOARD

Bert Baker, Vice-Chair	Tamala Preston, Chair	Jonathan Arritt
Erika Hunter		Tonya Jones

OTHER OFFICIALS

City Manager	Krystal M. Onaitis
City Finance Director	David Bryant, Jr.
City Attorney	Mark C. Popovich
Commissioner of the Revenue.....	Cathy M. Kimberlin
City Treasurer	Theresa Harrison
Superintendent of Schools	Melinda Snead-Johnson
Chief of Police	Christopher J. Smith

FINANCIAL SECTION



Independent Auditors' Report

**To the Honorable Members of the City Council
City of Covington, Virginia
Covington, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Covington, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Covington, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 25 to the financial statements, in 2021, the City adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 25 to the financial statements, in 2021, the City restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

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 5-12, 105-106, and 107-125 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covington, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Supplementary and Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the City of Covington, 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 City of Covington, 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 City of Covington, Virginia's internal control over financial reporting and compliance.

Robinson, Fawcett, & Associates

Blacksburg, Virginia
November 23, 2021

CITY OF COVINGTON MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2021 (JULY 1, 2020 – JUNE 30, 2021)

As staff of the City of Covington, we offer readers of the City of Covington's financial statements this narrative overview and analysis of the financial activities of the City of Covington for the fiscal year ended June 30, 2021.

Financial Highlights

- In Governmental Activities, of the City of Covington its assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,758,895 "total net position".
 - At the close of the current fiscal year, the City of Covington's governmental funds reported an unassigned general fund balance of \$7,287,002.
 - At the close of the current fiscal year, the City of Covington's General Fund reported total fund balances of \$8,266,509.
 - At the end of the current fiscal year, the General Fund unassigned fund balance was 36.77% of revenues which is above the adopted policy of 18% and 41.40% of expenditures in the General Fund for FY 21.
- **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City of Covington's basic financial statements. The City of Covington's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Covington's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the City of Covington's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Covington is improving or deteriorating.

The statement of activities presents information showing how the City of Covington's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Covington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City of Covington include general government administration, judicial administration, public safety, public works, health and welfare, education, parks recreation and cultural activity, and community development. The business-type activities of the City of Covington include Enterprise activities in water, sewer, and solid waste.

The government-wide financial statements include not only the City of Covington itself (known as the primary government), but also a separate school system. Financial information for this component unit is reported separate from the financial information presented for the primary government itself. The water, sewer, and solid waste functions are departments of the City of Covington, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on Exhibits 1 and 2 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Covington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Covington can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Covington adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits 3-6 of this report.

Proprietary Funds: The City of Covington maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Covington uses enterprises funds to account for its Water, Sewer, and Solid Waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Solid Waste funds, which are considered to be major funds of the City of Covington.

The basic proprietary fund financial statements can be found on Exhibits 7-9 of this report.

Notes to the Financial Statements: The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic governmental financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information related to budget, component school board, supporting schedules, and other statistical information.

Government-wide Overall Financial Analysis

As noted earlier, total net position over time may serve as a useful indicator of a government's financial position. In the case of the City of Covington, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$18,065,594 at the close of the most recent fiscal year.

City of Covington's Net Position Statement of Net Position For the Year Ended June 30, 2021 and June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets:						
Current and other assets	\$ 16,351,839	\$ 10,367,006	\$ 7,296,607	\$ 6,891,728	\$ 23,648,446	\$ 17,258,734
Capital assets	26,830,673	26,973,939	26,719,143	27,602,232	53,549,816	54,576,171
Total Assets	\$ 43,182,512	\$ 37,340,945	\$ 34,015,750	\$ 34,493,960	\$ 77,198,262	\$ 71,834,905
Deferred Outflows						
of Resources	\$ 1,885,497	\$ 1,642,106	\$ 520,009	\$ 434,335	\$ 2,405,506	\$ 2,076,441
Liabilities:						
Current liabilities	\$ 6,600,734	\$ 3,123,153	\$ 1,802,601	\$ 1,663,867	\$ 8,403,335	\$ 4,787,020
Long-term liabilities	28,321,782	27,150,207	21,191,429	22,002,334	49,513,211	49,152,541
Total Liabilities	\$ 34,922,516	\$ 30,273,360	\$ 22,994,030	\$ 23,666,201	\$ 57,916,546	\$ 53,939,561
Deferred Inflows						
of Resources	\$ 3,386,598	\$ 3,338,923	\$ 235,030	\$ 300,139	\$ 3,621,628	\$ 3,639,062
Net Position:						
Net investment						
in capital assets	\$ 2,956,686	\$ 4,374,203	\$ 11,418,189	\$ 11,067,483	\$ 14,374,875	\$ 15,441,686
Restricted	736,210	808,486	678,272	676,930	1,414,482	1,485,416
Unrestricted	3,065,999	188,079	(789,762)	(782,458)	2,276,237	(594,379)
Total Net Position	\$ 6,758,895	\$ 5,370,768	\$ 11,306,699	\$ 10,961,955	\$ 18,065,594	\$ 16,332,723

* See Note 25 Restatement July 1, 2020 Net Position \$96,131

The City of Covington's net position reflects \$53,549,816 in capital assets and its net investment in capital assets of \$14,374,875 (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Covington uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Covington's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Covington's net position represents resources that are subject to external restrictions on how they may be used. These restrictions total \$1,414,482 and are comprised of \$359,533 of unspent grants, \$229,308 of unspent capital projects funds, \$147,369 for the City owned cemetery and \$678,272 restricted for debt service and bond covenant in the Business-Type Activities.

City of Covington's Statement of Activities
Statement of Activities
June 30, 2021 and June 30, 2020

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 422,531	\$ 457,958	\$ 5,544,849	\$ 5,912,036	\$ 5,967,380	\$ 6,369,994
Operating grants & contributions	4,432,625	3,042,172	-	-	4,432,625	3,042,172
Capital grants & contributions	488,686	560,134	67,534	-	556,220	560,134
General revenues:						
General property taxes	10,009,099	9,168,292	-	-	10,009,099	9,168,292
Other taxes	4,124,558	3,974,923	-	-	4,124,558	3,974,923
Unrestricted revenues from use of money and property	152,599	93,383	1,347	8,330	153,946	101,713
Grants and contributions not restricted to specific programs	831,269	843,577	-	-	831,269	843,577
Miscellaneous	47,064	74,787	28,010	18,648	75,074	93,435
Total revenues	\$ 20,508,431	\$ 18,215,226	\$ 5,641,740	\$ 5,939,014	\$ 26,150,171	\$ 24,154,240
Expenses:						
General government Administration	\$ 1,973,555	\$ 1,671,355	\$ -	\$ -	\$ 1,973,555	\$ 1,671,355
Public Safety	4,064,575	4,000,830	-	-	4,064,575	4,000,830
Public Works	5,253,287	2,042,449	-	-	5,253,287	2,042,449
Education	2,804,990	3,585,705	-	-	2,804,990	3,585,705
Culture and Recreation	1,773,009	2,064,533	-	-	1,773,009	2,064,533
Interest on long-term debt	697,453	721,741	-	-	697,453	721,741
Judicial Administration	285,912	210,940	-	-	285,912	210,940
Health and Welfare	2,461,954	2,100,392	-	-	2,461,954	2,100,392
Community Development	290,692	504,066	-	-	290,692	504,066
Water	-	-	1,694,954	1,711,375	1,694,954	1,711,375
Sanitation	-	-	1,817,185	1,725,736	1,817,185	1,725,736
Solid Waste	-	-	1,395,865	1,986,802	1,395,865	1,986,802
Total expenses	\$ 19,605,427	\$ 16,902,011	\$ 4,908,004	\$ 5,423,913	\$ 24,513,431	\$ 22,325,924
Increase (decrease) in net position	\$ 903,004	\$ 1,313,215	\$ 733,736	\$ 515,101	\$ 1,636,740	\$ 1,828,316
Transfers	388,992	452,629	(388,992)	(452,629)	-	-
Increase (decrease) in net position	\$ 1,291,996	\$ 1,765,844	\$ 344,744	\$ 62,472	\$ 1,636,740	\$ 1,828,316
Net Position - beginning	5,466,899	3,604,924	10,961,955	10,899,483	16,428,854	14,504,407
Ending net position	\$ 6,758,895	\$ 5,370,768	\$ 11,306,699	\$ 10,961,955	\$ 18,065,594	\$ 16,332,723

Governmental Activities: During the current fiscal year, Net Position for Governmental Activities increased \$1,291,996 from the prior fiscal year for an ending balance of \$6,758,895 based on beginning of fiscal year restated Net Position of \$5,466,899.

Business-type Activities: For the City of Covington's business-type activities, the results for the current fiscal year are positive in that overall net position increased to reach an ending balance of \$11,306,699. The total increase in net position for business-type activities (water, sewer, and solid-waste) was \$344,744 compared to the prior fiscal year.

Financial Analysis of Governmental Funds

As noted earlier, the City of Covington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City of Covington's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Covington's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Covington itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Covington's Council.

At June 30, 2021, the City of Covington's total governmental funds reported total fund balances of \$8,693,650. Of this amount, \$7,287,002 constitutes unassigned fund balance which increased \$1,989,766 from the previous fiscal year. The unassigned fund balance is available at the discretion of city council for use as deemed necessary. The remainder of the fund balance is:

- 1) Restricted – Amounts constrained for specific purposes by their providers (such as grantees, bondholders, higher levels of government), constitutional provisions, or by enabling legislation. Of the City's total fund balance, \$359,533 is considered restricted for grants and \$229,308 restricted for capital projects. The identified Non-Spendable amount of \$613,499 is from an early debt service payment in the General Fund and prepaid COVID-19 expenditures in the CARES fund.

The General Fund is the chief operating fund of the City of Covington. As a measure of the General Fund liquidity, it may be useful to compare unassigned fund balance to total general fund revenues. Unassigned fund balance represents approximately 36.77% of that same amount.

Proprietary Funds: The City of Covington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Fund finished FY 21 with \$7,737,744 in total net position while and Sewer Fund finished at \$7,601,213 in total net position, and the newly created Solid-Waste Fund finished at (\$4,032,258) which was driven by debt related to new cell construction, new landfill equipment, and closure/post closure estimates. Closure/post closure dedicated funding continued as part of the FY 21 budget process as well for the Solid-Waste Fund.

General Fund Budgetary Highlights

During the year the budgetary expenditures in the general Fund were amended was mainly due to new and non-completion of projects related to public works projects (transportation enhancement), software, fire programs, housing jail prisoners as a joint service expenditure, and project carryovers which have corresponding revenue streams.

Positive local revenue budget variances were realized in total general property taxes, total other local taxes, use of money & property, charges for services, and recovered costs (Please see Schedule 1).

Review of actual revenues and expenditures indicates that actual revenues for the General Fund were \$19,815,031 and expenditures for the General Fund were \$17,600,315.

Capital Assets and Debt Administration

Capital Assets: The City of Covington's investment in capital assets for its governmental and business-type activities as of June 30, 2021 were \$53,549,816 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, the water treatment plant, the wastewater treatment plant, and the Peter's Mountain landfill.

The city's total capital assets as of June 30, 2021 were \$26,830,673 in Governmental Activities and \$26,719,143 in Business Type (Enterprise) Activities. For the third year, Solid-Waste Services (Landfill) are included in Business Type Activities as well as Water and Waste Water Services.

Please see additional information on the City of Covington's Capital Assets that can be found in Note 16 of this report

. City of Covington's Capital Assets

Summary of Capital Assets for Governmental and Business Type Activities

As of June 30, 2021 and June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,967,944	\$ 1,967,944	\$ -	\$ -	\$ 1,967,944	\$ 1,967,944
Buildings and improvements	18,997,777	19,567,204	-	-	18,997,777	19,567,204
Improvements other than buildings	-	-	-	-	-	-
Machinery and equipment	1,179,962	1,464,333	1,530,617	1,694,792	2,710,579	3,159,125
Infrastructure	1,611,945	1,637,106	25,021,187	25,907,440	26,633,132	27,544,546
Construction in progress	3,073,045	2,337,352	167,339	-	3,240,384	2,337,352
Total	\$ 26,830,673	\$ 26,973,939	\$ 26,719,143	\$ 27,602,232	\$ 53,549,816	\$ 54,576,171

Debt Administration

The City of Covington's total debt and liability by the end of FY 21 increased driven by significant projected increases in Net Pension Liability and Landfill Closure/Post Closure costs. Additional detailed information on these costs can be found in Notes #10 and Notes #19.

The Primary Government has "other liability" related Compensated Absences, Other Post-Employment Benefits (OPEB), and Net Pensions Liability as documented in the chart below. Pension contributions are budgeted annually and administered the Virginia Retirement System.

In Business-Type Activities, two of the three revenue bonds are held at zero % interest thru the Virginia Resources Authority. Although costly, over the last six years, the city realized the need for infrastructure improvements by beginning and completing projects as they are fiscally and feasibly possible through rate increases and strategic use of proprietary funds reserves.

The Component Unit School Board has "other liability" as well related to Compensated Absences (\$417,513), Other Post-Employment Benefits (OPEB) (\$1,928,629), and Net Pensions Liability (\$10,281,919) as documented in Note #9 and Note #10. The school system also has capital lease indebtedness in the amount of \$97,303 for school buses as of June 30, 2021.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the assessed value of taxable real estate. The current debt limitation for the City of Covington is \$29,606,160 with General Obligation debt currently at \$25,272,099. As of June 30, 2021, the legal debt margin stands at \$4,334,061.

City of Covington's Outstanding Debt

Summary of Outstanding Debt and Liability

For the Year Ended June 30, 2021 and June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Refunding Bonds	\$ 13,711,686	\$ 12,044,000	\$ -	\$ -	\$ 13,711,686	\$ 12,044,000
Deferred Amounts						
Bond Premiums	405,813	422,455	199,113	210,175	604,926	632,630
Literary Loans	9,425,000	9,885,000	-	-	9,425,000	9,885,000
Revenue Bonds	-	-	13,865,726	14,875,926	13,865,726	14,875,926
Capital leases (Note 8)	1,249,171	1,567,981	1,236,115	1,448,648	2,485,286	3,016,629
Landfill Closure/Post Closure Liability			5,155,967	4,941,287	5,155,967	4,941,287
Compensated Absences	268,908	223,872	86,324	77,827	355,232	301,699
Net OPEB Liabilities	852,846	833,650	324,292	316,121	1,177,138	1,149,771
Net Pension Liability	4,315,228	3,756,605	1,640,861	1,424,514	5,956,089	5,181,119
Total	\$ 30,228,652	\$ 28,733,563	\$ 22,508,398	\$ 23,294,498	\$ 52,737,050	\$ 52,028,061

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of Covington and were considered in developing the 2022 Fiscal Year Budget:

- The unemployment rate for the City of Covington decreased to 6.1% on June 30, 2020, from the prior year rate of 13.6% on June 30, 2020. The City will be actively involved in both local and regional economic development projects in FY 22.
- Rate increases in Business-Type Activity Funds in Water 4.0%, Sewer (3.22%) were enacted with no change in Solid-Waste charges in the FY 2022 Budget.
- Real Estate Taxes per \$100.00 of value increased from \$0.80 in FY 21 to \$0.85 in the FY 22 budget which still remains one of the lowest rates in Virginia for an independent city that also provides for full governmental services and an independent school system.
- The FY 22 General Fund revenue budget was increased in strategic areas based on projected revenue growth with less COVID-19 impacts anticipated.
- The current budget includes \$111,000 to be set aside and again budgeted at the same level the next additional year to create a city match of approximately \$444,000 for the Rayon Bridge Project currently projected to begin in 2022 or 2023.
- No unassigned fund balance was utilized to balance the 2021-2022 General Fund Budget.
- The city has embarked on a paving assessment plan that is included in the budget for the seventh straight year after no such prior dedicated efforts. Additionally, paving improvements during FY 22 will also continue to be funded as well as the addition of bridge maintenance funding at the local level. Local funding is at \$175,000 for street paving and \$50,000 for sidewalks, and \$100,000 for bridge maintenance.
- The current budget includes \$75,000 specifically for storm water improvements which is in the budget for the third consecutive year as a newer infrastructure line item.
- The second phase of the Maple Avenue Streetscape Project will be completed early in FY 2021-2022. This downtown improvement project will complement a recently completed phase and once finished, a third phase will begin. These improvements require a city match of 20% in the VDOT/Federal Grant Program.

Requests for Information: This financial report is designed to provide a general overview of the City of Covington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance & Administration, 333 W. Locust Street, Covington, VA, 24426.

Basic Financial Statements

City of Covington, Virginia
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental	Business-type	Total	School Board
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 8,200,391	\$ 5,645,529	\$ 13,845,920	\$ 104,695
Cash held at schools	-	-	-	121,612
Investments	216,656	-	216,656	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	5,751,417	-	5,751,417	-
Other local taxes receivable	473,697	-	473,697	-
Accounts receivable	36,757	972,806	1,009,563	11,239
Due from other governmental units	1,002,483	-	1,002,483	410,340
Inventories	-	-	-	15,616
Prepaid items	670,438	-	670,438	28,937
Restricted assets:				
Cash and cash equivalents	-	678,272	678,272	-
Capital assets not being depreciated:				
Land	1,967,944	-	1,967,944	89,663
Construction in progress	3,073,045	167,339	3,240,384	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	18,997,777	-	18,997,777	1,355,939
Machinery, equipment, and vehicles	1,179,962	1,530,617	2,710,579	332,196
Infrastructure	1,611,945	25,021,187	26,633,132	-
Total Assets	\$ 43,182,512	\$ 34,015,750	\$ 77,198,262	\$ 2,470,237
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ 688,375	\$ -	\$ 688,375	\$ -
Pension related items	1,030,736	457,467	1,488,203	2,560,621
OPEB related items	166,386	62,542	228,928	378,935
Total Deferred Outflows of Resources	\$ 1,885,497	\$ 520,009	\$ 2,405,506	\$ 2,939,556
LIABILITIES				
Accounts payable	\$ 579,183	\$ 188,325	\$ 767,508	\$ 84,244
Accrued liabilities	111,927	29,548	141,475	381,698
Unearned revenue	49,101	-	49,101	-
Unearned revenue - CARES grant	258,569	-	258,569	-
Unearned revenue - ARPA grant	3,410,730	-	3,410,730	-
Customers' deposits	-	205,657	205,657	-
Accrued interest payable	284,354	62,102	346,456	1,934
Noncurrent liabilities:				
Due within one year	1,906,870	1,316,969	3,223,839	350,388
Due in more than one year	28,321,782	21,191,429	49,513,211	12,374,976
Total Liabilities	\$ 34,922,516	\$ 22,994,030	\$ 57,916,546	\$ 13,193,240
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 2,705,379	\$ -	\$ 2,705,379	\$ -
Pension related items	254,848	72,906	327,754	1,043,117
OPEB related items	426,371	162,124	588,495	137,924
Total Deferred Inflows of Resources	\$ 3,386,598	\$ 235,030	\$ 3,621,628	\$ 1,181,041
NET POSITION				
Net investment in capital assets	\$ 2,956,686	\$ 11,418,189	\$ 14,374,875	\$ 1,680,495
Restricted Nonexpendable:				
Cemetery care	147,369	-	147,369	-
Restricted expendable:				
Capital lease projects	229,308	-	229,308	-
Grants	359,533	-	359,533	-
Debt Service	-	678,272	678,272	-
Cafeteria	-	-	-	20,906
School activity fund	-	-	-	121,612
Unrestricted	3,065,999	(789,762)	2,276,237	(10,787,501)
Total Net Position	\$ 6,758,895	\$ 11,306,699	\$ 18,065,594	\$ (8,964,488)

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

City of Covington, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Contributions		Total	Component Unit School Board
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,973,555	\$ 644	\$ 430,106	\$ -	\$ (1,542,805)	\$ (1,542,805)	
Judicial administration	285,912	-	-	-	(285,912)	(285,912)	
Public safety	4,064,575	338,573	431,545	44,463	(3,249,994)	(3,249,994)	
Public works	5,253,287	1,143	1,947,517	295,064	(3,009,563)	(3,009,563)	
Health and welfare	2,461,954	-	1,587,094	-	(874,860)	(874,860)	
Education	2,804,990	-	-	-	(2,804,990)	(2,804,990)	
Parks, recreation, and cultural	1,773,009	81,151	34,803	-	(1,657,055)	(1,657,055)	
Community development	290,692	1,020	1,560	149,159	(138,953)	(138,953)	
Interest on long-term debt	697,453	-	-	-	(697,453)	(697,453)	
Total governmental activities	\$ 19,605,427	\$ 422,531	\$ 4,432,625	\$ 488,686	\$ (14,261,585)	\$ (14,261,585)	
Business-type activities:							
Water	\$ 1,694,954	\$ 2,259,620	\$ -	\$ 44,370	\$ 609,036	\$ 609,036	
Sewer	1,817,185	1,685,019	-	23,164	(109,002)	(109,002)	
Solid Waste	1,395,865	1,600,210	-	-	204,345	204,345	
Total business-type activities	\$ 4,908,004	\$ 5,544,849	\$ -	\$ 67,534	\$ 704,379	\$ 704,379	
Total primary government	\$ 24,513,431	\$ 5,967,380	\$ 4,432,625	\$ 556,220	\$ (14,261,585)	\$ (13,557,206)	
COMPONENT UNIT:							
School Board	\$ 12,143,607	\$ 49,460	\$ 8,882,707	\$ -	\$ -	\$ -	\$ (3,211,440)
General revenues and transfers:							
General property taxes					\$ 10,009,099	\$ 10,009,099	\$ -
Other local taxes:							
Local sales and use taxes					1,614,600	1,614,600	-
Consumers' utility taxes					390,388	390,388	-
Consumption taxes					23,620	23,620	-
Business license taxes					541,654	541,654	-
Franchise license taxes					356	356	-
Motor vehicle licenses					162,104	162,104	-
Bank stock taxes					250,210	250,210	-
Recordation taxes					21,754	21,754	-
Hotel and motel room taxes					35,023	35,023	-
Restaurant food taxes					982,252	982,252	-
Tobacco taxes					102,597	102,597	-
Unrestricted revenues from use of money and property					-	-	-
Miscellaneous					1,347	1,347	96,337
Payments from the City of Covington					152,599	153,946	-
Grants and contributions not restricted to specific programs					47,064	75,074	2,802,007
Transfers					-	-	-
Total general revenues and transfers					831,269	831,269	-
Change in net position					388,992	(388,992)	-
Net position - beginning, as restated					\$ 15,553,581	\$ (359,635)	\$ 15,193,946
Net position - ending					\$ 1,291,996	\$ 344,744	\$ 1,636,740
					5,466,899	10,961,955	16,428,854
					\$ 6,758,895	\$ 11,306,699	\$ 18,065,594
							\$ (8,964,488)

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

City of Covington, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>City Capital Projects</u>	<u>CARES</u>	<u>ARPA</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 4,307,190	\$ 222,833	\$ 259,638	\$ 3,410,730	\$ -	\$ 8,200,391
Investments	69,287	-	-	-	147,369	216,656
Receivables (net of allowance for uncollectibles):						
Taxes receivable	5,751,417	-	-	-	-	5,751,417
Other local taxes receivables	473,697	-	-	-	-	473,697
Accounts receivable	36,757	-	-	-	-	36,757
Intergovernmental receivable	1,002,483	-	-	-	-	1,002,483
Prepaid items	613,499	-	56,939	-	-	670,438
Total assets	<u>\$ 12,254,330</u>	<u>\$ 222,833</u>	<u>\$ 316,577</u>	<u>\$ 3,410,730</u>	<u>\$ 147,369</u>	<u>\$ 16,351,839</u>
LIABILITIES						
Accounts payable	\$ 578,114	\$ -	\$ 1,069	\$ -	\$ -	\$ 579,183
Accrued liabilities	111,927	-	-	-	-	111,927
Unearned revenue	49,101	-	-	-	-	49,101
Unearned revenue - CARES grant	-	-	258,569	-	-	258,569
Unearned revenue - ARPA grant	-	-	-	3,410,730	-	3,410,730
Total liabilities	<u>\$ 739,142</u>	<u>\$ -</u>	<u>\$ 259,638</u>	<u>\$ 3,410,730</u>	<u>\$ -</u>	<u>\$ 4,409,510</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	\$ 3,248,679	\$ -	\$ -	\$ -	\$ -	\$ 3,248,679
	<u>\$ 3,248,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,248,679</u>
FUND BALANCES						
Nonspendable:						
Prepaid items	\$ 613,499	\$ -	\$ 56,939	\$ -	\$ -	\$ 670,438
Cemetery care	-	-	-	-	147,369	147,369
Restricted:						
Grants	359,533	-	-	-	-	359,533
Capital projects	6,475	222,833	-	-	-	229,308
Unassigned	<u>7,287,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,287,002</u>
Total fund balances	<u>\$ 8,266,509</u>	<u>\$ 222,833</u>	<u>\$ 56,939</u>	<u>\$ -</u>	<u>\$ 147,369</u>	<u>\$ 8,693,650</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,254,330</u>	<u>\$ 222,833</u>	<u>\$ 316,577</u>	<u>\$ 3,410,730</u>	<u>\$ 147,369</u>	<u>\$ 16,351,839</u>

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

City of Covington, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,693,650
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,967,944		
Buildings and improvements	18,997,777		
Machinery, equipment, and vehicles	1,179,962		
Infrastructure	1,611,945		
Construction in progress	3,073,045		26,830,673

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue - property taxes			543,300
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds

Pension related items	\$ 1,030,736		
OPEB related items	166,386		1,197,122

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

General obligation bonds	\$ (13,711,686)		
Less: Deferred charges on refunding	688,375		
Literary Loans	(9,425,000)		
Capital lease	(1,249,171)		
Unamortized premium	(405,813)		
Compensated absences	(268,908)		
Accrued interest payable	(284,354)		
Net OPEB liabilities	(852,846)		
Net pension liability	(4,315,228)		(29,824,631)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (254,848)		
OPEB related items	(426,371)		(681,219)

Net position of governmental activities	\$	6,758,895
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The notes to the financial statements are an integral part of this statement.

City of Covington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General	City Capital Projects	CARES	Nonmajor Governmental	Total
REVENUES					
General property taxes	\$ 10,000,965	\$ -	\$ -	\$ -	\$ 10,000,965
Other local taxes	4,124,558	-	-	-	4,124,558
Permits, privilege fees, and regulatory licenses	13,673	-	-	-	13,673
Fines and forfeitures	2,273	-	-	-	2,273
Revenue from the use of money and property	101,361	-	-	51,238	152,599
Charges for services	406,585	-	-	-	406,585
Miscellaneous	47,064	-	-	-	47,064
Recovered costs	36,950	-	-	-	36,950
Intergovernmental:					
Commonwealth	4,529,862	-	-	-	4,529,862
Federal	551,740	-	670,978	-	1,222,718
Total revenues	\$ 19,815,031	\$ -	\$ 670,978	\$ 51,238	\$ 20,537,247
EXPENDITURES					
Current:					
General government administration	\$ 1,874,726	\$ -	\$ 240,287	\$ -	\$ 2,115,013
Judicial administration	285,912	-	-	-	285,912
Public safety	3,996,121	-	70,590	-	4,066,711
Public works	2,840,413	-	191,214	-	3,031,627
Health and welfare	2,456,248	-	5,189	-	2,461,437
Education	2,205,653	-	-	-	2,205,653
Parks, recreation, and cultural	1,578,450	-	30,303	-	1,608,753
Community development	290,692	-	-	-	290,692
Nondepartmental	9,333	-	-	-	9,333
Capital projects	-	2,576,730	-	-	2,576,730
Debt service:					
Principal retirement	1,398,810	-	-	-	1,398,810
Interest and other fiscal charges	663,957	-	-	-	663,957
Bond issuance costs	-	7,500	-	-	7,500
Total expenditures	\$ 17,600,315	\$ 2,584,230	\$ 537,583	\$ -	\$ 20,722,128
Excess (deficiency) of revenues over (under) expenditures	\$ 2,214,716	\$ (2,584,230)	\$ 133,395	\$ 51,238	\$ (184,881)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 465,448	\$ -	\$ -	\$ -	\$ 465,448
Transfers out	-	-	(76,456)	-	(76,456)
Issuance of bond anticipation note	-	2,287,686	-	-	2,287,686
Total other financing sources (uses)	\$ 465,448	\$ 2,287,686	\$ (76,456)	\$ -	\$ 2,676,678
Net change in fund balances	\$ 2,680,164	\$ (296,544)	\$ 56,939	\$ 51,238	\$ 2,491,797
Fund balances - beginning, as restated	5,586,345	519,377	-	96,131	6,201,853
Fund balances - ending	\$ 8,266,509	\$ 222,833	\$ 56,939	\$ 147,369	\$ 8,693,650

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

City of Covington, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	2,491,797
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital asset additions	\$ 1,122,103	
Depreciation expense	<u>(1,257,111)</u>	(135,008)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

Loss on disposal of assets		(8,258)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue - property taxes and other local taxes		8,134
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of bond anticipation notes	\$ (2,287,686)	
General obligation bonds	620,000	
Capital lease	318,810	
Literary loans	<u>460,000</u>	(888,876)

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.

(Increase) decrease in compensated absences	\$ (45,036)	
Amortization of bond premiums	16,642	
Amortization of deferred amount on refundings	(71,675)	
(Increase) decrease in accrued interest payable	43	
Change in pension related items	(129,530)	
Change in OPEB related items	<u>53,763</u>	(175,793)

Change in net position of governmental activities	\$	<u>1,291,996</u>
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The notes to the financial statements are an integral part of this statement.

City of Covington, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2021

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,499,891	\$ 1,208,383	\$ 937,255	\$ 5,645,529
Accounts receivable	503,649	297,770	171,387	972,806
Restricted current assets:				
Cash and cash equivalents	382,180	296,092	-	678,272
Total current assets	<u>\$ 4,385,720</u>	<u>\$ 1,802,245</u>	<u>\$ 1,108,642</u>	<u>\$ 7,296,607</u>
Noncurrent assets:				
Capital assets:				
Utility plant in service	\$ 15,935,615	\$ 22,784,938	\$ 3,198,653	\$ 41,919,206
Accumulated depreciation	(6,821,065)	(8,946,730)	(2,284,697)	(18,052,492)
Machinery and equipment	-	-	2,685,090	2,685,090
Construction in progress	44,839	122,500	-	167,339
Total capital assets	<u>\$ 9,159,389</u>	<u>\$ 13,960,708</u>	<u>\$ 3,599,046</u>	<u>\$ 26,719,143</u>
Total assets	<u>\$ 13,545,109</u>	<u>\$ 15,762,953</u>	<u>\$ 4,707,688</u>	<u>\$ 34,015,750</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 156,650	\$ 140,853	\$ 159,964	\$ 457,467
OPEB related items	23,115	19,602	19,825	62,542
Total deferred outflows of resources	<u>\$ 179,765</u>	<u>\$ 160,455</u>	<u>\$ 179,789</u>	<u>\$ 520,009</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 29,638	\$ 154,073	\$ 4,614	\$ 188,325
Wages payable	10,610	9,821	9,117	29,548
Customers' deposits	90,525	68,287	46,845	205,657
Accrued interest payable	36,887	-	25,215	62,102
Compensated absences - current portion	28,160	20,745	15,839	64,744
Capital lease - current portion	-	-	215,763	215,763
Bonds payable - current portion	216,062	589,900	230,500	1,036,462
Total current liabilities	<u>\$ 411,882</u>	<u>\$ 842,826</u>	<u>\$ 547,893</u>	<u>\$ 1,802,601</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 4,753,051	\$ 6,776,226	\$ 1,499,100	\$ 13,028,377
Net OPEB liabilities	119,774	102,589	101,929	324,292
Compensated absences - net of current portion	9,386	6,915	5,279	21,580
Capital lease - net of current portion	-	-	1,020,352	1,020,352
Landfill closure/postclosure estimate	-	-	5,155,967	5,155,967
Net pension liability	606,015	519,096	515,750	1,640,861
Total noncurrent liabilities	<u>\$ 5,488,226</u>	<u>\$ 7,404,826</u>	<u>\$ 8,298,377</u>	<u>\$ 21,191,429</u>
Total liabilities	<u>\$ 5,900,108</u>	<u>\$ 8,247,652</u>	<u>\$ 8,846,270</u>	<u>\$ 22,994,030</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 27,143	\$ 23,256	\$ 22,507	\$ 72,906
OPEB related items	59,879	51,287	50,958	162,124
Total deferred inflows of resources	<u>\$ 87,022</u>	<u>\$ 74,543</u>	<u>\$ 73,465</u>	<u>\$ 235,030</u>
NET POSITION				
Net investment in capital assets	\$ 4,190,276	\$ 6,594,582	\$ 633,331	\$ 11,418,189
Restricted for debt service and bond covenants	382,180	296,092	-	678,272
Unrestricted	3,165,288	710,539	(4,665,589)	(789,762)
Total net position	<u>\$ 7,737,744</u>	<u>\$ 7,601,213</u>	<u>\$ (4,032,258)</u>	<u>\$ 11,306,699</u>

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

City of Covington, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 2,259,620	\$ -	\$ -	\$ 2,259,620
Sewer revenues	-	1,685,019	-	1,685,019
Waste Collection Disposal	-	-	1,019,084	1,019,084
Landfill Charges	-	-	500,156	500,156
Sludge Fees	-	-	80,970	80,970
Miscellaneous	76	16,571	11,363	28,010
Total operating revenues	\$ 2,259,696	\$ 1,701,590	\$ 1,611,573	\$ 5,572,859
OPERATING EXPENSES				
Salaries and wages	\$ 454,237	\$ 367,041	\$ 365,085	\$ 1,186,363
Fringes	268,221	234,113	214,636	716,970
Contracted services	86,029	242,878	39,205	368,112
Other charges	361,769	351,532	191,915	905,216
Purchase of equipment	-	16,488	17,064	33,552
Lease/rent of equipment	121	-	-	121
Depreciation	385,998	605,133	228,784	1,219,915
Landfill closure	-	-	270,262	270,262
Total operating expenses	\$ 1,556,375	\$ 1,817,185	\$ 1,326,951	\$ 4,700,511
Operating income (loss)	\$ 703,321	\$ (115,595)	\$ 284,622	\$ 872,348
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 846	\$ 501	\$ -	\$ 1,347
Interest expense	(138,579)	-	(68,914)	(207,493)
Total nonoperating revenues (expenses)	\$ (137,733)	\$ 501	\$ (68,914)	\$ (206,146)
Income (loss) before transfers and capital contributions and grants	\$ 565,588	\$ (115,094)	\$ 215,708	\$ 666,202
Capital contributions and construction grants	\$ 44,370	\$ 23,164	\$ -	\$ 67,534
Transfers in	14,560	229,205	15,268	259,033
Transfers out	(421,137)	(180,989)	(45,899)	(648,025)
Change in net position	\$ 203,381	\$ (43,714)	\$ 185,077	\$ 344,744
Net position - beginning	7,534,363	7,644,927	(4,217,335)	10,961,955
Net position - ending	\$ 7,737,744	\$ 7,601,213	\$ (4,032,258)	\$ 11,306,699

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

City of Covington, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,291,647	\$ 1,679,859	\$ 1,531,255	\$ 5,502,761
Payments to suppliers	(454,785)	(486,420)	(313,864)	(1,255,069)
Payments to employees	(693,075)	(575,135)	(550,546)	(1,818,756)
Net cash provided by (used for) operating activities	\$ 1,143,787	\$ 618,304	\$ 666,845	\$ 2,428,936
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (421,137)	\$ (180,989)	\$ (45,899)	\$ (648,025)
Transfers from other funds	14,560	229,205	15,268	259,033
Net cash provided by (used for) noncapital financing activities	\$ (406,577)	\$ 48,216	\$ (30,631)	\$ (388,992)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of assets	\$ (90,946)	\$ (239,330)	\$ (6,550)	\$ (336,826)
Principal payments on bonds	(195,000)	(589,900)	(225,300)	(1,010,200)
Principal payments on lease obligations	-	-	(212,533)	(212,533)
Capital grants	44,370	23,164	-	67,534
Interest payments	(151,736)	-	(72,495)	(224,231)
Net cash provided by (used for) capital and related financing activities	\$ (393,312)	\$ (806,066)	\$ (516,878)	\$ (1,716,256)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 846	\$ 501	\$ -	\$ 1,347
Net increase (decrease) in cash and cash equivalents	\$ 344,744	\$ (139,045)	\$ 119,336	\$ 325,035
Cash and cash equivalents - beginning (including restricted cash and cash equivalents of \$676,930)	3,537,327	1,643,520	817,919	5,998,766
Cash and cash equivalents - ending (including restricted cash and cash equivalents of \$678,272)	\$ 3,882,071	\$ 1,504,475	\$ 937,255	\$ 6,323,801
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 703,321	\$ (115,595)	\$ 284,622	\$ 872,348
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 385,998	\$ 605,133	\$ 228,784	\$ 1,219,915
(Increase) decrease in accounts receivable	28,273	(24,333)	(83,784)	(79,844)
(Increase) decrease in deferred outflows of resources	(12,746)	(21,520)	(51,408)	(85,674)
Increase (decrease) in customer deposits	3,678	2,602	3,466	9,746
Increase (decrease) in accounts payable	(6,866)	124,478	(10,098)	107,514
Increase (decrease) in wages payable	51	1,517	777	2,345
Increase (decrease) in compensated absences	(799)	6,343	2,953	8,497
Increase (decrease) in net OPEB liabilities	34	(59)	8,196	8,171
Increase (decrease) in net pension liability	66,438	56,539	93,370	216,347
Increase (decrease) in closure/postclosure estimate	-	-	214,680	214,680
Increase (decrease) in deferred inflows of resources	(23,595)	(16,801)	(24,713)	(65,109)
Total adjustments	\$ 440,466	\$ 733,899	\$ 382,223	\$ 1,556,588
Net cash provided by (used for) operating activities	\$ 1,143,787	\$ 618,304	\$ 666,845	\$ 2,428,936

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

City of Covington, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds
	<u>Drug Task Force Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,941
Total assets	<u>\$ 3,941</u>
NET POSITION	
Restricted for:	
Held for drug task force	3,941
Total net position	<u><u>\$ 3,941</u></u>

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

City of Covington, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds
	<u>Drug Task Force Fund</u>
ADDITIONS	
Contribution from Alleghany Highlands Regional Drug Task Force	\$ <u>5,050</u>
Total additions	\$ <u>5,050</u>
DEDUCTIONS	
Task force supplies	\$ <u>4,722</u>
Total deductions	\$ <u>4,722</u>
Net increase (decrease) in fiduciary net position	\$ 328
Net position - beginning, as restated	<u>3,613</u>
Net position - ending	<u><u>3,941</u></u>

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

CITY OF COVINGTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies:

The financial statements of the City conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The City of Covington, Virginia is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - The City has no blended component units.

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the City's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City.

The Covington City School Board operates the elementary and secondary public schools in the City. School Board members are appointed by the City. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type and included herein. No separate report is issued for the School Board.

Jointly Governed Organizations - The City is represented in the governing body of the Alleghany Highlands Community Service Board, the Charles Pinckney Jones Memorial Library, and the Alleghany-Covington Social Services Board.

The City along with the County of Alleghany, the Towns of Clifton Forge and Iron Gate participate in supporting the Alleghany Highlands Community Service Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions.

The City participates in the Alleghany Highlands Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The City's contribution during fiscal year 2021 was \$128,490.

The City participates in the Alleghany-Covington Social Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The City is billed directly for costs associated with this organization on a monthly basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 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 City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

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

The government reports the following major governmental funds:

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

The City Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The CARES Fund (Major Special Revenue Fund) accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for Coronavirus Relief Funds.

The ARPA Fund (Major Special Revenue Fund) accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for American Rescue Plan Act Funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The School Board reports the following major funds:

The School Operating Fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the City and state and federal grants.

The School Cafeteria Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for cafeteria operation. The fund consists of the student collections, grants, and miscellaneous revenue less operating and capital expenditures related to cafeteria.

The School Activity Fund accounts for and reports all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the individual schools.

The government reports the following nonmajor governmental funds:

The Cemetery Fund (Permanent Fund) accounts for and reports financial resources that are restricted such that only earnings may be used for purposes that support the reporting government's programs (i.e. for the benefit of the government or its citizens). The Cemetery Fund accounts for investments and related earnings which are used to offset the cost of the Cedar Hill Cemetery.

The government reports the following major proprietary funds:

The City operates a sewage collection and treatment plant, a water filtration and distribution system, and a landfill. The activities of the systems are accounted for in the Water, Sewer, and Solid Waste Funds.

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

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

Additionally, the government reports the following fund types:

Fiduciary funds (trust and custodial funds) account for assets held by the government in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are not included in the government-wide financial statements. The Custodial fund consists of the drug task force fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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").

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

3. Receivables and Payables

Activity between funds that is 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 portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$156,410 at June 30, 2021 and is comprised solely of property taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th and June 5th. Personal property taxes are due and collectible annually on December 5th and June 5th. The City bills and collects its own property taxes.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment and infrastructure of the primary government, as well as of the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Infrastructure	20-40
Machinery and equipment	4-30

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The City accrues salary-related payments associated with the payment of compensated absences.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

9. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaid expenditures) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

9. Fund Balance (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

Committed Fund Balance Policy:

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the City Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance Policy:

The City Council has authorized the City Manager or Finance Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance Policy:

The City will make every effort to maintain an unassigned fund balance in the general fund equal to or greater than 18% expenditures/operating revenues. The City considers a balance of less than 18% to be a cause for concern, barring unusual or deliberate circumstances.

Resource Flow Policy:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures/expense) until then. The City has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the short of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as in inflow of resources (revenue) until this time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liabilities and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

11. Pensions

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 City's and School Board's Retirement Plan and the additions to/deductions from the City's and School Board's Retirement Plan's fiduciary net 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.

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

12. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

In addition to the VRS related OPEB, the City and School Board allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating and implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost until the retiree is Medicare eligible.

13. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 2 - Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to May 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, School Operating Fund, Solid Waste Management Fund, Water Fund and Sewer Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of two readings of a Budget Appropriations Ordinance.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the City Council can revise the appropriation by function. The City Manager is authorized to transfer budgeted amounts within general government activities or departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all City units. The City's practice is to appropriate Capital Projects by Project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2021, there were no departments with expenses over appropriations.

C. Deficit Fund Balance

At June 30, 2021, the Solid Waste Fund had a negative fund balance.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3 - Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporations (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 City and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

At June 30, 2021 and June 30, 2020, the City had 1,176 shares of MetLife Trust stock valued at \$59.38 and \$36.08 per share for a total value of \$69,827 and \$42,426, respectively. The City also had 2,677 shares of Truist Financial Corporation stock valued at \$55.05 and \$35.91 per share for a total value of \$147,369 and \$96,131, respectively.

The City's rated debt investments as of June 30, 2021 were rated by Standard & Poor's and the ratings are presented using the Standard & Poor's rating scale.

City's Rated Debt Investment Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
State Non-arbitrage Pool (SNAP)	\$ 382,179

The City's interest rate risk as of June 30, 2021:

Interest Rate Risk		
Investment type	Fair Value	Less than 1 yr
State Non-arbitrage Pool (SNAP)	\$ 382,179	\$ 382,179
MetLife Trust Stock	69,287	69,287
Truist Financial Corporation Stock	147,369	147,369

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3 - Deposits and Investments: (Continued)

Investments (Continued)

External Investment Pool

The value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Note 4 - Fair Value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The City has the following recurring fair value measurements as of June 30, 2021:

Investment	6/30/2021	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
MetLife Trust Stock	\$ 69,287	\$ 69,287	\$ -	\$ -
Truist Financial Corporation Stock	147,369	147,369	-	-

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 5 - Due from Other Governmental Units:**

The following amounts represent receivables from other governments at year-end:

	Primary Government Governmental	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 262,334	\$ -
State sales tax	-	142,260
Non-categorical aid	293,175	-
Categorical aid - shared expenses	12,812	-
Categorical aid - Comprehensive Services Act	13,670	-
Categorical aid - VPA	44,341	-
Categorical aid - other	357,415	-
<u>Federal Government:</u>		
Categorical aid - VPA	17,355	-
Categorical aid - other	1,381	-
School federal programs	-	268,080
Totals	<u>\$ 1,002,483</u>	<u>\$ 410,340</u>

Note 6 - Interfund Transfers:

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Primary Government:</u>		
General Fund	\$ 465,448	\$ -
CARES Fund	-	76,456
Water Fund	14,560	421,137
Sewer Fund	229,205	180,989
Solid Waste Fund	15,268	45,899
Total Primary Government	<u>\$ 724,481</u>	<u>\$ 724,481</u>
<u>Component Unit-School Board:</u>		
School Operating Fund	\$ -	\$ 223,944
School Cafeteria Fund	137,591	-
School Activity Fund	86,353	-
Total	<u>\$ 223,944</u>	<u>\$ 223,944</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 7 - Long-Term Obligations:****Primary Government - Governmental Activities Indebtedness:**

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Direct borrowings and placements				
General obligation bonds	\$ 12,044,000	\$ 2,287,686	\$ (620,000)	\$ 13,711,686
Deferred amounts:				
Premium	422,455	-	(16,642)	405,813
Literary loans	9,885,000	-	(460,000)	9,425,000
Total direct borrowings and placements	\$ 22,351,455	\$ 2,287,686	\$ (1,096,642)	\$ 23,542,499
Capital lease (note 8)	1,567,981	-	(318,810)	1,249,171
Compensated absences	223,872	212,940	(167,904)	268,908
Net OPEB liabilities	833,650	130,735	(111,539)	852,846
Net pension liability	3,756,605	1,526,257	(967,634)	4,315,228
Total	\$ 28,733,563	\$ 4,157,618	\$ (2,662,529)	\$ 30,228,652

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

Year Ending June 30,	Direct Borrowings and Placements			
	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2022	\$ 893,686	\$ 490,218	\$ 470,000	\$ 188,500
2023	773,000	471,208	480,000	179,100
2024	798,000	449,558	490,000	169,500
2025	828,000	422,926	500,000	159,700
2026	862,000	392,804	510,000	149,700
2027-2031	3,707,000	1,491,911	2,705,000	591,500
2032-2036	1,510,000	1,054,161	2,990,000	309,700
2037-2041	4,340,000	609,293	1,280,000	38,500
Totals	\$ 13,711,686	\$ 5,382,079	\$ 9,425,000	\$ 1,786,200

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 7 - Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements							
GO Refunding Bond	2.47%	9/29/2015	2028	\$159,000-\$210,000 a+	\$ 2,410,000	\$ 1,364,000	\$ 181,000
VPSA GO Refunding Bond	5.05%-4.30%	11/21/2013	2041	\$90,000-\$1,580,000 a+	11,630,000	9,510,000	420,000
QZAB GO Bond	0.00%	11/30/2016	2031	\$50,000	750,000	550,000	50,000
Bond Anticipation Note	1.01%	8/27/2020	2037	\$95,000-\$175,000 a+	3,000,000	2,287,686	242,686
Literary Loans	2.00%	2/16/2016	2038	\$425,000-\$645,000 a+	11,645,000	9,425,000	470,000
Total Direct Borrowings and Placements						<u>\$ 23,136,686</u>	<u>\$ 1,363,686</u>
Deferred Amount:							
Unamortized Premium					\$ 496,278	<u>\$ 405,813</u>	<u>\$ 17,922</u>
Capital Leases:							
Fire Truck	1.84%	4/30/2015	2022	\$77,524 a	\$ 506,992	\$ 76,467	\$ 76,467
Financial Software	1.84%	4/30/2015	2022	\$99,955 a	653,685	98,592	98,592
VML-VACO Equip Series	2.17%	10/23/2017	2028	\$293,450-\$323,381 a+	1,568,987	1,074,112	148,522
Total Capital Leases						<u>\$ 1,249,171</u>	<u>\$ 323,581</u>
Other Obligations:							
Compensated Absences						\$ 268,908	\$ 201,681
Net OPEB Liabilities						852,846	-
Net pension liability						<u>4,315,228</u>	<u>-</u>
Total Long-Term Obligations						<u>\$ 30,228,652</u>	<u>\$ 1,906,870</u>

(a+) - annual principal installments shown; does not include semi-annual interest installments

(a) - annual installment including principal and interest

The City's general obligations bonds are subject to the State Aid Intercept Program. Under terms of the program, the City state aid is redirected to bond holders to cure any event(s) of default.

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CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 7 - Long-Term Obligations: (Continued)****Primary Government - Business-type Activities Indebtedness:**

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Direct borrowings and placements				
Revenue bonds	\$ 14,875,926	\$ -	\$ (1,010,200)	\$ 13,865,726
Deferred amount:				
Premium	210,175	-	(11,062)	199,113
Total direct borrowings and placements	\$ 15,086,101	\$ -	\$ (1,021,262)	\$ 14,064,839
Capital lease (note 8)	1,448,648	-	(212,533)	1,236,115
Landfill closure/postclosure estimate	4,941,287	214,680	-	5,155,967
Net OPEB liabilities	316,121	55,538	(47,367)	324,292
Compensated absences	77,827	66,867	(58,370)	86,324
Net pension liability	1,424,514	606,624	(390,277)	1,640,861
Total	\$ 23,294,498	\$ 943,709	\$ (1,729,809)	\$ 22,508,398

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

Details of long-term indebtedness:

Year Ending June 30,	Direct Borrowings and Placements					
	Revenue Bonds					
	Water		Sewer		Solid Waste	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 205,000	\$ 144,950	\$ 589,900	\$ -	\$ 230,500	\$ 36,807
2023	210,000	137,843	589,900	-	235,800	31,491
2024	220,000	128,552	589,900	-	241,300	26,052
2025	225,000	121,284	589,900	-	246,800	20,488
2026	230,000	116,061	589,900	-	252,500	14,796
2027-2031	1,255,000	484,858	2,949,500	-	522,700	11,986
2032-2036	1,440,000	286,668	1,429,876	-	-	-
2037-2039	985,000	52,125	37,250	-	-	-
Totals	\$ 4,770,000	\$ 1,472,341	\$ 7,366,126	\$ -	\$ 1,729,600	\$ 141,620

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 7 - Long-Term Obligation: (Continued)

Primary Government - Business-type Activities Indebtedness: (Continued)

	Interest Rates	Issue Date	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements							
VRA Revenue Bond	0.00%	12/1/2010	2031	\$250,000 a	\$ 5,000,000	\$ 2,744,251	\$ 250,000
VRA Revenue Bond	0.00%	5/10/2012	2032	\$162,500-325,000 a	6,500,000	4,361,125	325,000
VRA Revenue Bond	2.04-4.83%	4/4/2013	2039	\$125,000-345,000 a+	5,395,000	1,665,000	165,000
VRA Revenue Bond	0.00%	4/10/2018	2038	\$7,450 sa	298,000	260,750	14,900
VRA Revenue Bond	1.94-3.44%	10/20/2019	2039	\$35,000-240,000 a+	3,140,000	3,105,000	40,000
VML-VACO General Obligation Bond	2.28%	10/16/2017	2028	\$215,300-264,300 a+	\$ 2,390,500	1,729,600	230,500
Total Direct Borrowings and Placements						<u>\$ 13,865,726</u>	<u>\$ 1,025,400</u>
Deferred Amount:							
Unamortized Premium					\$ 720,990	\$ 199,113	\$ 11,062
Capital Leases:							
Garbage Truck	1.84%	4/30/2015	2022	\$24,989 a	\$ 163,421	\$ 24,648	\$ 24,648
Garbage Truck	3.15%	10/25/2018	2024	\$16,761-\$19,292 sa	180,000	93,514	36,531
VML-VACO Equip Series	1.70%	10/23/2017	2028	\$293,450-\$323,381 a+	1,568,987	1,117,953	154,584
Total Capital Leases						<u>\$ 1,236,115</u>	<u>\$ 215,763</u>
Other Obligations:							
Compensated Absences						\$ 86,324	\$ 64,744
Landfill Closure/Post-Closure Liability						5,155,967	-
Net OPEB Liabilities						324,292	-
Net Pension Liability						1,640,861	-
Total Other Obligations						<u>\$ 7,207,444</u>	<u>\$ 64,744</u>
Total Long-Term Obligations						<u>\$ 22,508,398</u>	<u>\$ 1,316,969</u>

(a+) - annual principal installments shown; does not include semi-annual interest installments

(a) - annual principal installments shown; no interest

(sa) - semi-annual installments including interest, if applicable

The City's general obligations bonds are subject to the State Aid Intercept Program. Under terms of the program, the City state aid is redirected to bond holders to cure any event(s) of default.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8 - Capital Lease:

Primary Government:

The City has entered into a lease agreement as lessee for the financing of the acquisition of a fire truck, garbage truck, refuse truck, financial software, landfill equipment, and an E-911 project. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. As of June 30, 2021, the assets related to the capital leases and accumulated depreciation are as follows:

	Governmental Activities				Solid Waste Management Fund			
	Fire Truck	Financial Software(1)	E911 Project (1)	Total	Garbage Truck	Refuse Truck	Landfill Equipment	Total
Cost	\$ 504,134	\$ 668,003	\$ 1,280,607	\$ 2,452,744	\$ 162,500	\$ 175,761	\$ 1,607,282	\$ 1,945,543
Accumulated Depreciation	(251,607)	-	-	(251,607)	(84,144)	(35,200)	(400,749)	(520,093)
Net Book Value	\$ 252,527	\$ 668,003	\$ 1,280,607	\$ 2,201,137	\$ 78,356	\$ 140,561	\$ 1,206,533	\$ 1,425,450

(1) The financial software and E911 project are recorded in construction in progress and not yet being depreciated.

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2021, were as follows:

Fiscal Year Ended	Governmental Activities	Solid Waste Management Fund
2022	\$ 347,697	\$ 241,346
2023	168,589	214,662
2024	166,943	193,352
2025	165,279	172,025
2026	163,596	170,275
2027-2028	322,071	335,216
Total minimum lease payments	\$ 1,334,175	\$ 1,326,876
Less: amount representing interest	(85,004)	(90,761)
Present value of minimum lease payments	\$ 1,249,171	\$ 1,236,115

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8 - Capital Lease: (Continued)

Component Unit School Board:

The Component Unit School Board has entered into a lease agreement as lessee for the financing of the acquisition of three school buses. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. As of June 30, 2021, the assets related to the capital lease and accumulated depreciation are as follows:

	<u>School Buses</u>
Cost	\$ 243,945
Accumulated Depreciation	<u>(72,104)</u>
Net Book Value	<u><u>\$ 171,841</u></u>

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2021, were as follows:

<u>Fiscal Year Ended</u>	<u>Capital Leases</u>
2022	\$ 40,292
2023	40,292
2024	11,365
2025	11,365
Total minimum lease payments	<u>\$ 103,314</u>
Less: amount representing interest	(6,011)
Present value of minimum lease payments	<u><u>\$ 97,303</u></u>

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 9 - Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit - School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Capital lease	\$ 133,445	\$ -	\$ (36,142)	\$ 97,303
Compensated absences	390,893	319,790	(293,170)	417,513
Net OPEB liabilities	1,907,377	408,193	(386,941)	1,928,629
Net pension liability	9,307,524	4,190,746	(3,216,351)	10,281,919
	<u>\$ 11,739,239</u>	<u>\$ 4,918,729</u>	<u>\$ (3,932,604)</u>	<u>\$ 12,725,364</u>

Details of long-term indebtedness:

	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:		
Capital lease	\$ 97,303	\$ 37,253
Compensated absences	417,513	313,135
Net OPEB obligation	1,928,629	-
Net pension liability	10,281,919	-
Total Long-term Obligations	<u>\$ 12,725,364</u>	<u>\$ 350,388</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan:

Plan Description

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

Benefit Structures

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, as detailed below.

- a. Employees with a membership before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	101	22
Inactive members:		
Vested inactive members	6	5
Non-vested inactive members	16	2
Inactive members active elsewhere in VRS	16	9
Total inactive members	38	16
Active members	95	19
Total covered employees	234	57

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.

The City's contractually required employer contribution rate for the year ended June 30, 2021 was 14.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$538,960 and \$492,493 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 15.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$60,341 and \$68,374 for the years ended June 30, 2021 and June 30, 2020, 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. The City's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)**Actuarial Assumptions - General Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits:

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)***Long-Term Expected Rate of Return***

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

<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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 10 - Pension Plan: (Continued)

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; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, 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. Through the fiscal year ended June 30, 2020, the rate contributed by the employer for the City and Component Unit School Board (nonprofessional) Retirement Plans 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, 2020 on, participating employers and school divisions 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.

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CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021Note 10 - Pension Plan: (Continued)*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 25,968,264	\$ 20,787,145	\$ 5,181,119
Changes for the year:			
Service cost	\$ 390,965	\$ -	\$ 390,965
Interest	1,701,318	-	1,701,318
Differences between expected and actual experience	(268,603)	-	(268,603)
Contributions - employer	-	492,493	(492,493)
Contributions - employee	-	178,109	(178,109)
Net investment income	-	392,439	(392,439)
Benefit payments, including refunds of employee contributions	(1,527,110)	(1,527,110)	-
Administrative expenses	-	(13,873)	13,873
Other changes	-	(458)	458
Net changes	\$ 296,570	\$ (478,400)	\$ 774,970
Balances at June 30, 2020	\$ 26,264,834	\$ 20,308,745	\$ 5,956,089

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CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10 - Pension Plan: (Continued)****Changes in Net Pension Liability (Continued)**

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 3,061,526	\$ 2,443,925	\$ 617,601
Changes for the year:			
Service cost	\$ 42,570	\$ -	\$ 42,570
Interest	200,759	-	200,759
Differences between expected and actual experience	60,976	-	60,976
Contributions - employer	-	66,489	(66,489)
Contributions - employee	-	20,141	(20,141)
Net investment income	-	46,258	(46,258)
Benefit payments, including refunds of employee contributions	(174,640)	(174,640)	-
Administrative expenses	-	(1,624)	1,624
Other changes	-	(54)	54
Net changes	\$ 129,665	\$ (43,430)	\$ 173,095
Balances at June 30, 2020	\$ 3,191,191	\$ 2,400,495	\$ 790,696

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

The following presents the net pension liability of the City and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the City's and Component Unit School Board's (nonprofessional) 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% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
City			
Net Pension Liability (Asset)	\$ 8,809,699	\$ 5,956,088	\$ 3,539,140
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,097,126	\$ 790,696	\$ 527,806

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10 - Pension Plan: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2021, the City and Component Unit School Board (nonprofessional) recognized pension expense of \$760,678 and \$176,102, respectively. At June 30, 2021, the City and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit-School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,925	\$ 264,808	\$ 23,567	\$ -
Change in assumptions	277,619	-	-	-
Change in proportionate share	62,946	62,946	-	-
Net difference between projected and actual earnings on pension plan investments	601,753	-	71,249	-
Employer contributions subsequent to the measurement date	538,960	-	60,341	-
Total	<u>\$ 1,488,203</u>	<u>\$ 327,754</u>	<u>\$ 155,157</u>	<u>\$ -</u>

\$538,960 and \$60,341 reported as deferred outflows of resources related to pensions resulting from the City's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (Nonprofessional)
2022	\$ 60,006	\$ 24,360
2023	161,579	22,631
2024	203,643	24,689
2025	196,261	23,136

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2020-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description is included in the first section of this note.

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 provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% 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 earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$868,920 and \$866,676 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$9,491,223 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.06520% as compared to 0.06603% at June 30, 2019.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, the school division recognized pension expense of \$1,009,487. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division 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	\$ -	\$ 556,333
Change in assumptions	647,895	-
Net difference between projected and actual earnings on pension plan investments	721,913	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	166,736	486,784
Employer contributions subsequent to the measurement date	<u>868,920</u>	<u>-</u>
Total	\$ <u>2,405,464</u>	\$ <u>1,043,117</u>

\$868,920 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2022	\$ (37,204)
2023	143,438
2024	199,827
2025	202,931
Thereafter	(15,565)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates: (Continued)

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 51,001,855
Plan Fiduciary Net Position	<u>36,449,229</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10 - Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the 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% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$	13,925,755	\$ 9,491,223	\$ 5,823,304

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,488,203	\$ 327,754	\$ 5,956,089	\$ 760,678	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	155,157	-	790,696	176,102
School Board Professional	-	-	-	-	2,405,464	1,043,117	9,491,223	1,009,487
Totals	\$ 1,488,203	\$ 327,754	\$ 5,956,089	\$ 760,678	\$ 2,560,621	\$ 1,043,117	\$ 10,281,919	\$ 1,185,589

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan:

Plan Description

The City administers a cost-sharing defined benefit healthcare plan, The City of Covington Postretirement Healthcare Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the City’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical and Dental. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the City who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. In addition, the City provides a fixed basic death benefit for all retirees.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	96
Total retirees with coverage	<u>7</u>
Total	<u><u>103</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the City Council. The amount paid by the City for OPEB as the benefits came due during the year ended June 30, 2021 was \$32,524.

Total OPEB Liability

The City’s total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan: (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry Age Normal, with Normal Cost determined as a percent of pay
Discount Rate	2.45% at June 30, 2020
Inflation	2.50%
Healthcare Trend Rate	6.00% in 2019-20, decreasing 0.50% per year to ultimate rate of 4.00%
Salary Increase Rates	4.00%
Retirement Age	The average age at retirement is 62

Mortality rates are based on the RP-2014 Healthy Lives (separate tables for pre- and post-retirement and for males and females), projected to decrease by Scale BB to 2024. The other demographic assumptions are based on tables used for VRS pension evaluations.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate is based on the 20 year, high quality muni bond index published by Fidelity investments.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability
Balances at June 30, 2019 (Measurement Date)	\$ 613,302
Changes for the year:	
Service cost	\$ 21,804
Interest	19,370
Change in assumptions	26,767
Employer contributions	(32,524)
Net changes	\$ 35,417
Balances at June 30, 2020 (Measurement Date)	\$ 648,719

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan: (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

Rate		
1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
\$ 696,537	\$ 648,719	\$ 604,345

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to 3.00% by 2023) or one percentage point higher (7.00% decreasing to 5.00% by 2023) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.00% decreasing to 3.00%)	Healthcare Cost Trend (6.00% decreasing to 4.00%)	1% Increase (7.00% decreasing to 5.00%)
\$ 609,826	\$ 648,719	\$ 685,645

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CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the City recognized OPEB expense in the amount of \$(30,935). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 78,919	\$ 176,516
Changes in assumptions	23,422	370,487
Employer contributions subsequent to the measurement date	27,079	-
Total	<u>\$ 129,420</u>	<u>\$ 547,003</u>

\$27,079 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (72,109)
2023	(72,109)
2024	(72,111)
2025	(64,582)
2026	(83,547)
Thereafter	(80,204)
Total	<u>\$ (444,662)</u>

Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

Component Unit - School Board

Plan Description

The Component Unit - School Board administers a single-employer defined benefit healthcare plan, The Covington City Public Schools Postretirement Healthcare Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan: (Continued)

Component Unit - School Board (Continued)

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical and Dental. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. In addition, the School Board provides a fixed basic death benefit for all retirees.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	140
Total retirees with coverage	<u>11</u>
Total	<u>151</u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2021 was \$33,812.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

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CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan: (Continued)

Component Unit - School Board (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	4.00%
Discount Rate	2.45% at June 30, 2020 (based on Muni 20 year Aa is published by Fidelity Investments)
Health Care Cost Trend	6.00% for 2019/2020 grading down to a 4.0%

Mortality rates are based on the RP-2014 Healthy Lives (separate tables for pre- and post-retirement and for males and females), projected to decrease by Scale BB to 2024.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate is based on the 20 year, high quality muni bond index published by Fidelity Investments.

Changes in Total OPEB Liability

	Component Unit School Board Total OPEB Liability
Balances at June 30, 2019 (Measurement Date)	\$ 519,515
Changes for the year:	
Service cost	\$ 21,583
Interest	15,732
Changes in assumptions	22,857
Benefit changes	(33,812)
Net changes	\$ 26,360
Balances at June 30, 2020 (Measurement Date)	\$ 545,875

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan: (Continued)**Component Unit - School Board (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

Rates		
1% Decrease (1.45%)	Current Discount (2.45%)	1% Increase (3.45%)
\$ 585,211	\$ 545,875	\$ 509,026

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

The following presents the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to 3.00% by 2023) or one percentage point higher (7.00% decreasing to 5.00% by 2023) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.00% decreasing to 3.00%)	Healthcare Cost Trend (6.00% decreasing to 4.00%)	1% Increase (7.00% decreasing to 5.00%)
\$ 523,275	\$ 545,875	\$ 560,143

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CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 11—Healthcare OPEB Plan: (Continued)

Component Unit - School Board (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the Component Unit - School Board recognized OPEB expense in the amount of \$51,801. At June 30, 2021, the Component Unit - School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 83,543	\$ -
Changes in assumptions	35,518	12,151
Employer contributions subsequent to the measurement date	33,745	-
Total	<u>\$ 152,806</u>	<u>\$ 12,151</u>

\$33,745 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 14,486
2023	14,486
2024	14,486
2025	14,486
2026	14,490
Thereafter	34,476
Total	<u>\$ 106,910</u>

Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable 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 \$8,616 as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan 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 GLI Plan 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% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). 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, 2021 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.

Contributions to the GLI Plan from the City were \$20,766 and \$19,712 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Plan from the Component Unit-School Board (Nonprofessional) were \$2,130 and \$2,228 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Plan from the Component Unit-School Board (Professional) were \$29,148 and \$29,353 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2021, the City reported a liability of \$307,400 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2021, the Component Unit-School Board (Nonprofessional) reported a liability of \$34,712 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2021, the Component Unit-School Board (Professional) reported a liability of \$457,762 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

At June 30, 2020, the City's proportion was 0.01840% as compared to 0.01936% at June 30, 2019.

At June 30, 2020, the Component Unit-School Board (Nonprofessional) proportion was 0.00210% as compared to 0.00207% at June 30, 2019.

At June 30, 2020, the Component Unit-School Board (Professional) proportion was 0.02740% as compared to 0.02792% at June 30, 2019.

For the year ended June 30, 2021, the City recognized GLI OPEB expense of \$6,424. 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.

For the year ended June 30, 2021, the Component-Unit School Board (Nonprofessional) recognized GLI OPEB expense of \$1,734. 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.

For the year ended June 30, 2021, the Component-Unit School Board (Professional) recognized GLI OPEB expense of \$14,483. 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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component-Unit School Board (Nonprofessional)		Component-Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,717	\$ 2,761	\$ 2,226	\$ 311	\$ 29,361	\$ 4,112
Net difference between projected and actual earnings on GLI OPEB program investments	9,234	-	1,043	-	13,751	-
Change in assumptions	15,374	6,419	1,736	725	22,893	9,558
Changes in proportion	-	23,896	1,646	-	11,012	31,062
Employer contributions subsequent to the measurement date	20,766	-	2,130	-	29,148	-
Total	\$ 65,091	\$ 33,076	\$ 8,781	\$ 1,036	\$ 106,165	\$ 44,732

\$20,766, \$2,130, and \$29,148 reported as deferred outflows of resources related to the GLI OPEB resulting from the City's, Component-Unit School Board's (Non-professional), and Component-Unit School Board's (Professional), respectively, 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, 2022. 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:

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit- School Board (Nonprofessional)</u>	<u>Component Unit- School Board (Professional)</u>
2022	\$ (669)	\$ 933	\$ 3,922
2023	1,939	1,228	7,805
2024	4,689	1,496	8,879
2025	5,905	1,508	9,895
2026	(260)	422	1,796
Thereafter	(355)	28	(12)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
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*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)***NET GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Plan represents the plan'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, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		<u>1,855,102</u>
GLI Net OPEB Liability (Asset)	\$	<u><u>1,668,835</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

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

<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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**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 member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, 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, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
City's proportionate share of the GLI Plan				
Net OPEB Liability	\$	404,100	\$ 307,400	\$ 228,869
Component Unit-School Board (Nonprofessional) proportionate share of the GLI Plan				
Net OPEB Liability	\$	45,631	\$ 34,712	\$ 25,844
Component Unit-School Board (Professional) proportionate share of the GLI Plan				
Net OPEB Liability	\$	601,764	\$ 457,762	\$ 340,820

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Primary Government</u>	<u>Component Unit - School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	<u>50</u>	<u>9</u>
Active members	<u>89</u>	<u>19</u>
Total covered employees	<u>139</u>	<u>28</u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The City's contractually required employer contribution rate for the year ended June 30, 2021 was 0.57% of covered employee compensation. The Component Unit - School Board's (Nonprofessional) contractually required employer contribution rate for the year ended June 30, 2021 was 1.38% 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 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 City to the HIC Plan were \$20,085 and \$17,401 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions from the Component Unit - School board (Nonprofessional) to the HIC Plan were \$5,418 and \$5,541 for the year ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The City and Component Unit-School Board's (Non-professional) net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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*	

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)****Discount Rate**

The discount rate used to measure the total HIC 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 at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC 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, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

Changes in Net HIC OPEB Liability - Primary Government

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 323,394	\$ 101,964	\$ 221,430
Changes for the year:			
Service cost	\$ 5,375	\$ -	\$ 5,375
Interest	20,919	-	20,919
Differences between expected and actual experience	(7,509)	-	(7,509)
Contributions - employer	-	17,401	(17,401)
Net investment income	-	1,974	(1,974)
Benefit payments	(26,958)	(26,958)	-
Administrative expenses	-	(179)	179
Net changes	\$ (8,173)	\$ (7,762)	\$ (411)
Balances at June 30, 2020	\$ 315,221	\$ 94,202	\$ 221,019

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Changes in Net HIC OPEB Liability - Component Unit-School Board (Nonprofessional)***

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 55,653	\$ 9,470	\$ 46,183
Changes for the year:			
Service cost	\$ 707	\$ -	\$ 707
Interest	3,606	-	3,606
Benefit changes	5,398	-	5,398
Differences between expected and actual experience	647	-	647
Contributions - employer	-	5,541	(5,541)
Net investment income	-	196	(196)
Benefit payments	(4,664)	(4,664)	-
Administrative expenses	-	(20)	20
Net changes	\$ 5,694	\$ 1,053	\$ 4,641
Balances at June 30, 2020	\$ 61,347	\$ 10,523	\$ 50,824

Sensitivity of the City's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the City's HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the City's net HIC 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City's Net HIC OPEB Liability	\$ 249,952	\$ 221,019	\$ 195,997

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Sensitivity of the Component Unit-School Board's (Nonprofessional) HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the Component Unit-School Board's (Nonprofessional) HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Component Unit-School Board's (Nonprofessional) net HIC 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Component Unit-School Board (Nonprofessional)			
Net HIC OPEB Liability	\$ 55,464	\$ 50,824	\$ 45,956

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2021, the City and Component Unit-School Board (Nonprofessional) recognized HIC Plan OPEB expense of \$20,278 and \$7,515, respectively. At June 30, 2021, the City and Component Unit-School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the City and Component Unit-School Board's (Nonprofessional) HIC Plan from the following sources:

	Primary Government		Component-Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,087	\$ 6,339	\$ 474	\$ 2,956
Net difference between projected and actual earnings on HIC OPEB plan investments	3,121	-	407	-
Change in assumptions	4,124	2,077	305	-
Employer contributions subsequent to the measurement date	20,085	-	5,418	-
Total	\$ 34,417	\$ 8,416	\$ 6,604	\$ 2,956

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB: (Continued)

\$20,085 and \$5,418 reported as deferred outflows of resources related to the HIC OPEB resulting from the City and Component Unit-School Board's (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit- School Board (Nonprofessional)
2022	\$ 359	\$ (1,799)
2023	2,542	(232)
2024	3,104	166
2025	(89)	95
2026	-	-

HIC Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. 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 school division to the VRS Teacher Employee HIC Plan were \$64,940 and \$67,696 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB***

At June 30, 2021, the school division reported a liability of \$839,456 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.06440% as compared to 0.06521% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$62,600. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,210
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	3,720	-
Change in assumptions	16,595	4,587
Change in proportion	19,324	61,252
Employer contributions subsequent to the measurement date	<u>64,940</u>	<u>-</u>
Total	\$ <u>104,579</u>	\$ <u>77,049</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB (Continued)***

\$64,940 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (6,146)
2023	(5,777)
2024	(5,901)
2025	(7,552)
2026	(7,802)
Thereafter	(4,232)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Teacher employees	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

The total Teacher Employee HIC 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 Teacher Employee HIC 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on the 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>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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)***Discount Rate***

The discount rate used to measure the total Teacher Employee HIC 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 and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan 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, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC 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 Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC 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:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	939,684	\$ 839,456	\$ 754,270

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 15 - Aggregate OPEB Information:**

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
City Stand-Alone Plan (Note 11)	\$ 129,420	\$ 547,003	\$ 648,719	\$ (30,935)	\$ -	\$ -	\$ -	\$ -
School Stand-Alone Plan (Note 11)	-	-	-	-	152,806	12,151	545,875	51,801
VRS OPEB Plans:								
Group Life Insurance Plan (Note 12)								
City	65,091	33,076	307,400	6,424	-	-	-	-
School Board Nonprofessional	-	-	-	-	8,781	1,036	34,712	1,734
School Board Professional	-	-	-	-	106,165	44,732	457,762	14,483
Health Insurance Credit Plan (Note 13)								
City	34,417	8,416	221,019	20,278	-	-	-	-
School Board Nonprofessional	-	-	-	-	6,604	2,956	50,824	7,515
Teacher Health Insurance Credit Plan (Note 14)								
Totals	\$ 228,928	\$ 588,495	\$ 1,177,138	\$ (4,233)	\$ 378,935	\$ 137,924	\$ 1,928,629	\$ 138,133

Note 16 - Capital Assets:

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,967,944	\$ -	\$ -	\$ 1,967,944
Construction in progress	2,337,352	785,693	(50,000)	3,073,045
Total capital assets not being depreciated	\$ 4,305,296	\$ 785,693	\$ (50,000)	\$ 5,040,989
Capital assets, being depreciated:				
Buildings and improvements	\$ 30,642,955	\$ 198,795	\$ -	\$ 30,841,750
Infrastructure	2,478,917	72,620	-	2,551,537
Machinery and equipment	8,109,646	114,995	(673,733)	7,550,908
Total capital assets being depreciated	\$ 41,231,518	\$ 386,410	\$ (673,733)	\$ 40,944,195
Accumulated depreciation:				
Buildings and improvements	\$ (11,075,751)	\$ (768,222)	\$ -	\$ (11,843,973)
Infrastructure	(841,811)	(97,781)	-	(939,592)
Machinery and equipment	(6,645,313)	(391,108)	665,475	(6,370,946)
Total accumulated depreciation	\$ (18,562,875)	\$ (1,257,111)	\$ 665,475	\$ (19,154,511)
Total capital assets being depreciated, net	\$ 22,668,643	\$ (870,701)	\$ (8,258)	\$ 21,789,684
Governmental activities capital assets, net	\$ 26,973,939	\$ (85,008)	\$ (58,258)	\$ 26,830,673

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 16 - Capital Assets: (Continued)**

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 167,339	\$ -	\$ 167,339
Capital assets, being depreciated:				
Equipment & Vehicles	\$ 2,678,540	\$ 6,550	\$ -	\$ 2,685,090
Infrastructure	41,756,269	162,937	-	41,919,206
Total capital assets being depreciated	\$ 44,434,809	\$ 169,487	\$ -	\$ 44,604,296
Accumulated depreciation:				
Equipment & Vehicles	\$ (983,748)	\$ (170,725)	\$ -	\$ (1,154,473)
Infrastructure	(15,848,829)	(1,049,190)	-	(16,898,019)
Total accumulated depreciation	\$ (16,832,577)	\$ (1,219,915)	\$ -	\$ (18,052,492)
Total capital assets being depreciated, net	\$ 27,602,232	\$ (1,050,428)	\$ -	\$ 26,551,804
Business-type activities capital assets, net	\$ 27,602,232	\$ (883,089)	\$ -	\$ 26,719,143

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

Governmental activities:	
General government administration	\$ 25,413
Public safety	238,179
Public works	214,645
Health and welfare	4,373
Education	599,337
Parks, recreation, and cultural	175,164
Total depreciation expense-governmental activities	\$ 1,257,111
Business-type activities:	
Water fund	\$ 385,998
Sewer fund	605,133
Solid waste fund	228,784
Total depreciation expense-business-type activities	\$ 1,219,915
Total depreciation expense-Primary Government	\$ 2,477,026

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 16 - Capital Assets: (Continued)

Discretely Presented Component Unit

Capital asset activity for the School Board for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 89,663	\$ -	\$ -	\$ 89,663
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,636,177	\$ -	\$ -	\$ 3,636,177
Machinery and equipment	1,444,003	79,155	-	1,523,158
Total capital assets being depreciated	\$ 5,080,180	\$ 79,155	\$ -	\$ 5,159,335
Accumulated depreciation:				
Buildings and improvements	\$ (2,173,937)	\$ (106,301)	\$ -	\$ (2,280,238)
Machinery and equipment	(1,119,982)	(70,980)	-	(1,190,962)
Total accumulated depreciation	\$ (3,293,919)	\$ (177,281)	\$ -	\$ (3,471,200)
Total capital assets being depreciated, net	\$ 1,786,261	\$ (98,126)	\$ -	\$ 1,688,135
Governmental activities capital assets, net	\$ 1,875,924	\$ (98,126)	\$ -	\$ 1,777,798

Note 17 - Risk Management:

The City and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability and auto insurance with the VML Insurance Programs Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The City and its component unit - School Board pay the Virginia Municipal Group contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The City and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 18 - Contingent Liabilities:

Federal programs in which the City and its component unit participate were audited in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by 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 disallowances of current grant program expenditures, if any, would be immaterial.

Note 19 - Landfill Closure and Post-Closure Care Cost:

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$6,760,385 is the total estimated closure and post-closure care liability for Peters Mountain Landfill permit #594 and #178 at June 30, 2021. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and post-closure care in 2021. In fiscal year 2002, the Department of Environmental Quality closed permit #178. The City's open landfill, permit #594, is comprised of a working cell that is approximately 77.18% full, including cells A, B and C. The life expectancy for cells A, B and C is 5.4 years based on an average annual disposal rate. The amount reported in the City's books is 77.18% of the total estimate, or \$5,155,967. The current year liability is based on a study performed as of that date and adjusted for inflation. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The City uses the Financial Assurance Mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

The City demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 20 - Surety Bonds:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Krystal Onaitis, City Manager	\$ 100,000
Theresa Harrison, City Treasurer	200,000
Cathy M. Kimberlin, Commissioner of the Revenue	3,000
All City Employees: blanket bond	100,000
All School Board Employees: blanket bond	100,000

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 21 - Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unavailable revenue is comprised of the following:

	<u>Unavailable</u>
Property taxes receivable-2nd half 2021	\$ 2,638,529
Prepaid property taxes	66,850
Total deferred revenue for governmental activities	\$ 2,705,379
Property taxes receivable due prior to June 30, 2021, not collected within 60 days	\$ 543,300
Total unavailable revenue for governmental funds	\$ <u>3,248,679</u>

Note 22 - Concentrations:

The City of Covington, Virginia relies heavily on the two businesses for tax revenue and employment of citizens. WestRock directly comprises 15.21% of the real estate tax levy, not including 85.73% of the Public Service Corporation tax levy. It also comprises 0.76% of the personal property taxes, not including 62.89% of machinery and tools tax levy, for a combined 43.44% of the total City's 2021 personal property tax levy. Ingevity Virginia Corp. Chemical directly comprises 33.25% of the machinery and tools tax levy and 22.85% of the total City's 2021 personal property tax levy.

Note 23 - Litigation:

As of June 30, 2021, there were no matters of litigation involving the City which would materially affect the City's financial position should a court decision on pending matters not be favorable.

Note 24-Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the City, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the City is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 24-Subsequent Events: (Continued)

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The City received total CRF funding of \$966,338. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$164,833. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$258,569 are reported as unearned revenues as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 25, 2021, the City received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$3,410,730 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis

CITY OF COVINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 25-Adoption of Accounting Principles:

The City implemented provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how these activities should be reported. The Discretely Presented Component Unit - School Board added the School Activity Funds as a Special Revenue Fund. The implementation of this standard resulted in the following restatement of net position and fund balance:

	Net Position			Fund Balance	
	Primary Government	Drug Task Force Fund	Discretely Presented Component Unit School Board	School Activity Fund	Cemetery Fund
Beginning balance, July 1, 2020, as previously stated	\$ 5,370,768	\$ -	\$ (8,769,110)	\$ -	\$ -
Addition of Cemetery Fund	96,131	-	-	-	96,131
Implementation of GASB84	-	3,613	117,718	117,718	-
Beginning balance, July 1, 2020, as restated	\$ 5,466,899	\$ 3,613	\$ (8,651,392)	\$ 117,718	\$ 96,131

Note 26-Upcoming Pronouncements:

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 26-Upcoming Pronouncements: (Continued)

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.

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. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

City of Covington, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 9,037,590	\$ 9,037,590	\$ 10,000,965	\$ 963,375
Other local taxes	3,387,185	3,387,185	4,124,558	737,373
Permits, privilege fees, and regulatory licenses	14,025	14,025	13,673	(352)
Fines and forfeitures	4,480	4,480	2,273	(2,207)
Revenue from the use of money and property	90,379	90,379	101,361	10,982
Charges for services	404,000	404,000	406,585	2,585
Miscellaneous	4,400	7,450	47,064	39,614
Recovered costs	15,000	15,000	36,950	21,950
Intergovernmental:				
Commonwealth	4,512,185	4,727,511	4,529,862	(197,649)
Federal	174,415	666,942	551,740	(115,202)
Total Revenues	<u>\$ 17,643,659</u>	<u>\$ 18,354,562</u>	<u>\$ 19,815,031</u>	<u>\$ 1,460,469</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,731,166	\$ 1,892,188	\$ 1,874,726	\$ 17,462
Judicial administration	286,010	286,010	285,912	98
Public safety	4,232,953	4,495,801	3,996,121	499,680
Public works	2,602,907	3,178,855	2,840,413	338,442
Health and welfare	2,341,480	2,451,480	2,456,248	(4,768)
Education	2,647,855	2,647,855	2,205,653	442,202
Parks, recreation, and cultural	1,675,809	1,675,809	1,578,450	97,359
Community development	317,185	317,185	290,692	26,493
Nondepartmental	94,655	129,680	9,333	120,347
Debt service:				
Principal retirement	1,399,130	1,399,130	1,398,810	320
Interest and other fiscal charges	663,957	663,957	663,957	-
Total Expenditures	<u>\$ 17,993,107</u>	<u>\$ 19,137,950</u>	<u>\$ 17,600,315</u>	<u>\$ 1,537,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (349,448)</u>	<u>\$ (783,388)</u>	<u>\$ 2,214,716</u>	<u>\$ 2,998,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 460,448	\$ 465,448	\$ 465,448	\$ -
Transfers out	(111,000)	(111,000)	-	111,000
Total other financing sources (uses)	<u>\$ 349,448</u>	<u>\$ 354,448</u>	<u>\$ 465,448</u>	<u>\$ 111,000</u>
Net change in fund balances	\$ -	\$ (428,940)	\$ 2,680,164	\$ 3,109,104
Fund balances - beginning	-	428,940	5,586,345	5,157,405
Fund balances - ending	\$ -	\$ -	\$ 8,266,509	\$ 8,266,509

City of Covington, Virginia
 CARES Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental revenues:				
Federal	\$ -	\$ 969,783	\$ 670,978	\$ (298,805)
Total revenues	\$ -	\$ 969,783	\$ 670,978	\$ (298,805)
EXPENDITURES				
Current:				
General government administration	\$ -	\$ 336,921	\$ 240,287	\$ 96,634
Public safety	-	70,504	70,590	(86)
Public works	-	191,077	191,214	(137)
Health and welfare	-	5,189	5,189	-
Parks, recreation, and cultural	-	29,998	30,303	(305)
Total expenditures	\$ -	\$ 633,689	\$ 537,583	\$ 96,106
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 336,094	\$ 133,395	\$ (202,699)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (76,375)	\$ (76,456)	\$ (81)
Net change in fund balances	\$ -	\$ 259,719	\$ 56,939	\$ (202,780)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ 259,719	\$ 56,939	\$ (202,780)

City of Covington, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 390,965	\$ 401,154	\$ 386,694	\$ 388,395	\$ 384,532	\$ 381,110	\$ 364,378
Interest	1,701,318	1,695,769	1,667,681	1,659,955	1,624,606	1,592,529	1,553,775
Differences between expected and actual experience	(268,603)	(201,736)	61,596	(272,688)	(272,328)	(248,359)	-
Changes of assumptions	-	671,408	-	(145,142)	-	-	-
Benefit payments	(1,527,110)	(1,647,193)	(1,782,249)	(1,258,039)	(1,205,609)	(1,328,466)	(1,400,603)
Net change in total pension liability	\$ 296,570	\$ 919,402	\$ 333,722	\$ 372,481	\$ 531,201	\$ 396,814	\$ 517,550
Total pension liability - beginning	25,968,264	25,048,862	24,715,140	24,342,659	23,811,458	23,414,644	22,897,094
Total pension liability - ending (a)	\$ 26,264,834	\$ 25,968,264	\$ 25,048,862	\$ 24,715,140	\$ 24,342,659	\$ 23,811,458	\$ 23,414,644
Plan fiduciary net position							
Contributions - employer	\$ 492,493	\$ 497,259	\$ 506,756	\$ 508,232	\$ 624,975	\$ 600,630	\$ 548,162
Contributions - employee	178,109	180,212	181,061	184,142	183,862	177,538	175,244
Net investment income	392,439	1,325,010	1,459,431	2,220,416	317,657	823,292	2,543,910
Benefit payments	(1,527,110)	(1,647,193)	(1,782,249)	(1,258,039)	(1,205,609)	(1,328,466)	(1,400,603)
Administrator charges	(13,873)	(13,893)	(13,221)	(13,102)	(11,660)	(11,664)	(14,164)
Other	(458)	(830)	(1,269)	(1,964)	(135)	(171)	134
Net change in plan fiduciary net position	\$ (478,400)	\$ 340,565	\$ 350,509	\$ 1,639,685	\$ (90,910)	\$ 261,161	\$ 1,852,683
Plan fiduciary net position - beginning	20,787,145	20,446,580	20,096,071	18,456,386	18,547,296	18,286,135	16,433,452
Plan fiduciary net position - ending (b)	\$ 20,308,745	\$ 20,787,145	\$ 20,446,580	\$ 20,096,071	\$ 18,456,386	\$ 18,547,296	\$ 18,286,135
City's net pension liability - ending (a) - (b)	\$ 5,956,089	\$ 5,181,119	\$ 4,602,282	\$ 4,619,069	\$ 5,886,273	\$ 5,264,162	\$ 5,128,509
Plan fiduciary net position as a percentage of the total pension liability	77.32%	80.05%	81.63%	81.31%	75.82%	77.89%	78.10%
Covered payroll	\$ 3,787,491	\$ 3,794,890	\$ 3,767,567	\$ 3,756,414	\$ 3,712,605	\$ 3,552,497	\$ 3,463,949
City's net pension liability as a percentage of covered payroll	157.26%	136.53%	122.16%	122.96%	158.55%	148.18%	148.05%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Covington, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 42,570	\$ 35,988	\$ 40,730	\$ 45,396	\$ 56,372	\$ 62,270	\$ 58,304
Interest	200,759	193,583	194,875	203,784	199,107	195,457	191,627
Differences between expected and actual experience	60,976	81,708	(79,990)	(185,027)	5,132	(2,890)	-
Changes of assumptions	-	70,671	-	(8,346)	-	-	-
Benefit payments	(174,640)	(171,777)	(176,394)	(189,746)	(197,840)	(207,569)	(182,868)
Net change in total pension liability	\$ 129,665	\$ 210,173	\$ (20,779)	\$ (133,939)	\$ 62,771	\$ 47,268	\$ 67,063
Total pension liability - beginning	3,061,526	2,851,353	2,872,132	3,006,071	2,943,300	2,896,032	2,828,969
Total pension liability - ending (a)	\$ 3,191,191	\$ 3,061,526	\$ 2,851,353	\$ 2,872,132	\$ 3,006,071	\$ 2,943,300	\$ 2,896,032
Plan fiduciary net position							
Contributions - employer	\$ 66,489	\$ 63,262	\$ 57,411	\$ 61,643	\$ 58,524	\$ 76,341	\$ 91,712
Contributions - employee	20,141	19,065	17,692	19,124	18,057	23,812	26,021
Net investment income	46,258	155,604	168,648	257,051	35,959	101,524	312,953
Benefit payments	(174,640)	(171,777)	(176,394)	(189,746)	(197,840)	(207,569)	(182,868)
Administrator charges	(1,624)	(1,600)	(1,512)	(1,557)	(1,449)	(1,474)	(1,725)
Other	(54)	(98)	(148)	(226)	(16)	(19)	17
Net change in plan fiduciary net position	\$ (43,430)	\$ 64,456	\$ 65,697	\$ 146,289	\$ (86,765)	\$ (7,385)	\$ 246,110
Plan fiduciary net position - beginning	2,443,925	2,379,469	2,313,772	2,167,483	2,254,248	2,261,633	2,015,523
Plan fiduciary net position - ending (b)	\$ 2,400,495	\$ 2,443,925	\$ 2,379,469	\$ 2,313,772	\$ 2,167,483	\$ 2,254,248	\$ 2,261,633
School Division's net pension liability - ending (a) - (b)	\$ 790,696	\$ 617,601	\$ 471,884	\$ 558,360	\$ 838,588	\$ 689,052	\$ 634,399
Plan fiduciary net position as a percentage of the total pension liability	75.22%	79.83%	83.45%	80.56%	72.10%	76.59%	78.09%
Covered payroll	\$ 426,269	\$ 404,575	\$ 367,065	\$ 392,295	\$ 366,880	\$ 476,240	\$ 511,831
School Division's net pension liability as a percentage of covered payroll	185.49%	152.65%	128.56%	142.33%	228.57%	144.69%	123.95%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Covington, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.06520%	0.06603%	0.06825%	0.07184%	0.06817%	0.06588%	0.07007%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 9,491,223	\$ 8,689,923	\$ 8,026,000	\$ 8,835,000	\$ 9,553,000	\$ 8,292,000	\$ 8,468,000
Employer's Covered Payroll	5,641,333	5,469,846	5,464,358	5,629,861	5,196,952	4,891,913	5,125,379
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	168.24%	158.87%	146.88%	156.93%	183.82%	169.50%	165.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%	74.81%	72.92%	68.28%	70.88%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Covington, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 538,960	\$ 538,960	\$ -	\$ 3,841,633	14.03%
2020	492,493	492,493	-	3,787,491	13.00%
2019	497,259	497,259	-	3,794,890	13.10%
2018	506,756	506,756	-	3,767,567	13.45%
2017	518,385	518,385	-	3,756,414	13.80%
2016	624,974	624,974	-	3,712,605	16.83%
2015	600,630	600,630	-	3,552,497	16.91%
2014	548,343	548,343	-	3,463,949	15.83%
2013	561,286	561,286	-	3,545,708	15.83%
2012	439,094	439,094	-	3,462,887	12.68%
Component Unit School Board (nonprofessional)					
2021	\$ 60,341	\$ 60,341	\$ -	\$ 392,573	15.37%
2020	68,374	68,374	-	426,269	16.04%
2019	63,262	63,262	-	404,575	15.64%
2018	59,896	59,896	-	367,065	16.32%
2017	61,747	61,747	-	392,295	15.74%
2016	58,731	58,731	-	366,880	16.01%
2015	76,341	76,341	-	476,240	16.03%
2014	80,357	80,357	-	511,831	15.70%
2013	76,359	76,359	-	486,362	15.70%
2012	58,842	58,842	-	516,615	11.39%
Component Unit School Board (professional)					
2021	\$ 868,920	\$ 868,920	\$ -	\$ 5,366,917	16.19%
2020	866,676	866,676	-	5,641,333	15.36%
2019	846,000	846,000	-	5,469,846	15.47%
2018	976,000	976,000	-	5,464,358	17.86%
2017	820,000	820,000	-	5,629,861	14.57%
2016	721,000	721,000	-	5,196,952	13.87%
2015	710,000	710,000	-	4,891,913	14.51%
2014	597,619	597,619	-	5,125,377	11.66%
2013	598,100	598,100	-	5,129,503	11.66%
2012	339,388	339,388	-	5,361,580	6.33%

City of Covington, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

City of Covington, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 21,804	\$ 46,574	\$ 40,948	\$ 46,022
Interest	19,370	46,785	39,837	31,712
Changes in assumptions	26,767	(459,792)	(5,351)	(52,691)
Differences between expected and actual experience	-	(235,354)	138,106	-
Benefit payments	(32,524)	(61,456)	(30,146)	(35,555)
Net change in total OPEB liability	\$ 35,417	\$ (663,243)	\$ 183,394	\$ (10,512)
Total OPEB liability - beginning	613,302	1,276,545	1,093,151	1,103,663
Total OPEB liability - ending	\$ 648,719	\$ 613,302	\$ 1,276,545	\$ 1,093,151
 Covered payroll	 \$ 3,877,716	 \$ 3,605,268	 \$ 3,958,074	 \$ 3,909,193
 City's total OPEB liability (asset) as a percentage of covered payroll	 16.73%	 17.01%	 32.25%	 27.96%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

City of Covington, Virginia
Notes to Required Supplementary Information - City OPEB
For the Year Ended June 30, 2021

Valuation Date: 6/30/2019
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Individual Entry Age Normal, with Normal Cost determined as a percent of pay
Discount Rate	2.45% at June 30, 2020
Inflation	2.50%
Healthcare Trend Rate	6.00% in 2019-20, decreasing 0.50% per year to ultimate rate of 4.00%
Salary Increase Rates	4.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates are based on the RP-2014 Healthy Lives (separate tables for pre- and post- retirement and for males and females), projected to decrease by Scale BB to 2024. The other demographic assumptions are based on tables used for VRS pension valuations.

City of Covington, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 21,583	\$ 14,786	\$ 13,817	\$ 15,642
Interest	15,732	14,656	13,891	13,504
Effect of Economic/Demographic Gains or Losses	-	94,796	14,718	-
Changes in assumptions	22,857	19,545	(1,657)	(19,886)
Plan changes	-	-	-	(68,275)
Benefit payments	(33,812)	(28,710)	(25,398)	(28,585)
Administrative expenses	-	1	-	-
Net change in total OPEB liability	\$ 26,360	\$ 115,074	\$ 15,371	\$ (87,600)
Total OPEB liability - beginning	519,515	404,441	389,070	476,670
Total OPEB liability - ending	\$ 545,875	\$ 519,515	\$ 404,441	\$ 389,070
 Covered payroll	 \$ 6,150,055	 \$ 5,913,514	 \$ 5,656,342	 \$ 5,656,342
 Component Unit School Board's total OPEB liability (asset) as a percentage of covered payroll	 8.88%	 8.79%	 7.15%	 6.88%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

City of Covington, Virginia
Notes to Required Supplementary Information - Component Unit School Board OPEB
For the Year Ended June 30, 2021

Valuation Date: 6/30/2019
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Individual Entry Age Normal, with Normal Cost determined as a percent of pay
Discount Rate	2.45% at June 30, 2020
Inflation	2.50%
Healthcare Trend Rate	6.00% in 2019-20, decreasing 0.50% per year to ultimate rate of 4.00%
Salary Increase Rates	4.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates are based on the RP-2014 Healthy Lives (separate tables for pre- and post- retirement and for males and females), projected to decrease by Scale BB to 2024. The other demographic assumptions are based on tables used for VRS pension valuations.

City of Covington, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2016 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2020	0.01840% \$	307,400 \$	3,790,256	8.11%	52.64%
2019	0.01936%	315,039	3,794,890	8.30%	52.00%
2018	0.01990%	303,000	3,784,442	8.01%	51.22%
2017	0.02038%	307,000	3,758,508	8.17%	48.86%
2016	0.02066%	361,000	3,712,605	9.72%	48.86%
Component Unit School Board (nonprofessional)					
2020	0.00210% \$	34,712 \$	428,464	8.10%	52.64%
2019	0.00207%	33,684	404,575	8.33%	52.00%
2018	0.00193%	29,000	367,065	7.90%	51.22%
2017	0.00214%	32,000	394,617	8.11%	48.86%
2016	0.00221%	39,000	397,683	9.81%	48.86%
Component Unit School Board (professional)					
2020	0.02740% \$	457,762 \$	5,644,818	8.11%	52.64%
2019	0.02792%	454,333	5,473,771	8.30%	52.00%
2018	0.02876%	436,000	5,469,192	7.97%	51.22%
2017	0.03054%	460,000	5,633,192	8.17%	51.22%
2016	0.02892%	506,000	5,197,408	9.74%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

City of Covington, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 20,766	\$ 20,766	\$ -	\$ 3,845,525	0.54%
2020	19,712	19,712	-	3,790,256	0.52%
2019	19,734	19,734	-	3,794,890	0.52%
2018	19,680	19,680	-	3,784,442	0.52%
2017	19,544	19,544	-	3,758,508	0.52%
2016	17,821	17,821	-	3,712,605	0.48%
2015	17,052	17,052	-	3,552,497	0.48%
2014	16,627	16,627	-	3,463,949	0.48%
2013	17,019	17,019	-	3,545,708	0.48%
2012	9,696	9,696	-	3,462,887	0.28%
Component Unit School Board (nonprofessional)					
2021	\$ 2,130	\$ 2,130	\$ -	\$ 394,531	0.54%
2020	2,228	2,228	-	428,464	0.52%
2019	2,000	2,000	-	404,575	0.49%
2018	2,000	2,000	-	367,065	0.54%
2017	2,000	2,000	-	394,617	0.51%
2016	1,909	1,909	-	397,683	0.48%
2015	2,295	2,295	-	478,088	0.48%
2014	2,457	2,457	-	511,831	0.48%
2013	2,343	2,343	-	488,200	0.48%
2012	1,447	1,447	-	516,615	0.28%
Component Unit School Board (professional)					
2021	\$ 29,148	\$ 29,148	\$ -	\$ 5,397,813	0.54%
2020	29,353	29,353	-	5,644,818	0.52%
2019	28,000	28,000	-	5,473,771	0.51%
2018	32,000	32,000	-	5,469,192	0.59%
2017	29,000	29,000	-	5,633,192	0.51%
2016	24,948	24,948	-	5,197,408	0.48%
2015	23,511	23,511	-	4,898,194	0.48%
2014	24,596	24,596	-	5,124,136	0.48%
2013	24,414	24,414	-	5,086,179	0.48%
2012	15,283	15,283	-	5,458,215	0.28%

City of Covington, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

City of Covington, Virginia
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Primary Government
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total HIC OPEB Liability				
Service cost	\$ 5,375	\$ 4,949	\$ 4,696	\$ 4,000
Interest	20,919	20,466	20,523	21,000
Differences between expected and actual experience	(7,509)	11,658	(879)	-
Changes of assumptions	-	6,786	-	(9,000)
Benefit payments	(26,958)	(25,663)	(24,663)	(20,000)
Other changes	-	-	(479)	1,000
Net change in total HIC OPEB liability	\$ (8,173)	\$ 18,196	\$ (802)	\$ (3,000)
Total HIC OPEB Liability - beginning	323,394	305,198	306,000	309,000
Total HIC OPEB Liability - ending (a)	\$ 315,221	\$ 323,394	\$ 305,198	\$ 306,000
Plan fiduciary net position				
Contributions - employer	\$ 17,401	\$ 17,440	\$ 17,319	\$ 17,000
Net investment income	1,974	6,328	7,271	11,000
Benefit payments	(26,958)	(25,663)	(24,663)	(20,000)
Administrator charges	(179)	(135)	(164)	-
Rounding	-	-	(196)	-
Other	-	(8)	(565)	1,000
Net change in plan fiduciary net position	\$ (7,762)	\$ (2,038)	\$ (998)	\$ 9,000
Plan fiduciary net position - beginning	101,964	104,002	105,000	96,000
Plan fiduciary net position - ending (b)	\$ 94,202	\$ 101,964	\$ 104,002	\$ 105,000
City's net HIC OPEB liability - ending (a) - (b)	\$ 221,019	\$ 221,430	\$ 201,196	\$ 201,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	29.88%	31.53%	34.08%	34.31%
Covered payroll	\$ 3,480,076	\$ 3,487,954	\$ 3,463,554	\$ 3,466,331
City's net HIC OPEB liability as a percentage of covered payroll	6.35%	6.35%	5.81%	5.80%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

City of Covington, Virginia
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Component Unit School Board (nonprofessional)
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total HIC OPEB Liability				
Service cost	\$ 707	\$ 605	\$ 1,000	\$ 1,000
Interest	3,606	4,188	4,000	4,000
Changes of benefit terms	5,398	-	-	-
Differences between expected and actual experience	647	(7,650)	1,000	-
Changes of assumptions	-	1,053	-	-
Benefit payments	(4,664)	(4,543)	(5,000)	(5,000)
Other	-	-	-	(1,000)
Net change in total HIC OPEB liability	\$ 5,694	\$ (6,347)	\$ 1,000	\$ (1,000)
Total HIC OPEB Liability - beginning	55,653	62,000	61,000	62,000
Total HIC OPEB Liability - ending (a)	\$ 61,347	\$ 55,653	\$ 62,000	\$ 61,000
Plan fiduciary net position				
Contributions - employer	\$ 5,541	\$ 5,260	\$ 3,000	\$ 3,000
Net investment income	196	576	1,000	1,000
Benefit payments	(4,664)	(4,543)	(5,000)	(5,000)
Administrator charges	(20)	(13)	-	-
Other	-	190	(1,000)	-
Net change in plan fiduciary net position	\$ 1,053	\$ 1,470	\$ (2,000)	\$ (1,000)
Plan fiduciary net position - beginning	9,470	8,000	10,000	11,000
Plan fiduciary net position - ending (b)	\$ 10,523	\$ 9,470	\$ 8,000	\$ 10,000
School's net HIC OPEB liability - ending (a) - (b)	\$ 50,824	\$ 46,183	\$ 54,000	\$ 51,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	17.15%	17.02%	12.90%	16.39%
Covered payroll	\$ 426,269	\$ 404,575	\$ 367,065	\$ 392,295
School's net HIC OPEB liability as a percentage of covered payroll	11.92%	11.42%	14.71%	13.00%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

City of Covington, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 20,085	\$ 20,085	\$ -	\$ 3,523,595	0.57%
2020	17,401	17,401	-	3,480,076	0.50%
2019	17,440	17,440	-	3,487,954	0.50%
2018	17,319	17,319	-	3,463,554	0.50%
2017	17,332	17,332	-	3,466,331	0.50%
2016	17,591	17,591	-	3,449,201	0.51%
2015	16,908	16,908	-	3,315,206	0.51%
2014	16,045	16,045	-	3,208,907	0.50%
2013	17,729	17,729	-	3,545,707	0.50%
2012	17,332	17,332	-	3,466,407	0.50%
Component Unit School Board (nonprofessional)					
2021	\$ 5,418	\$ 5,418	\$ -	\$ 392,573	1.38%
2020	5,541	5,541	-	426,269	1.30%
2019	5,000	5,000	-	404,575	1.24%
2018	3,000	3,000	-	367,065	0.82%
2017	3,000	3,000	-	392,295	0.76%
2016	2,642	2,642	-	366,880	0.72%
2015	3,429	3,429	-	476,240	0.72%
2014	4,197	4,197	-	511,831	0.82%
2013	4,025	4,025	-	490,889	0.82%
2012	4,098	4,098	-	512,257	0.80%

City of Covington, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

City of Covington, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2016 through June 30, 2020

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2020	0.06440% \$	839,456 \$	5,641,333	14.88%	9.95%
2019	0.06521%	853,662	5,469,846	15.61%	8.97%
2018	0.67510%	858,000	5,459,639	15.72%	8.08%
2017	0.07134%	905,000	5,629,860	16.08%	7.04%
2016	0.06816%	865,000	5,197,408	16.64%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

City of Covington, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 64,940	\$ 64,940	\$ -	\$ 5,366,917	1.21%
2020	67,696	67,696	-	5,641,333	1.20%
2019	66,000	66,000	-	5,469,846	1.21%
2018	74,000	74,000	-	5,459,639	1.36%
2017	62,000	62,000	-	5,629,860	1.10%
2016	55,093	55,093	-	5,197,408	1.06%
2015	51,921	51,921	-	4,898,194	1.06%
2014	56,878	56,878	-	5,124,136	1.11%
2013	55,698	55,698	-	2,017,848	2.76%
2012	32,169	32,169	-	5,361,576	0.60%

City of Covington, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

City of Covington, Virginia
City Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES				
Capital projects	\$ -	\$ 2,799,563	\$ 2,576,730	\$ 222,833
Debt service:				
Bond issuance costs	-	7,500	7,500	-
Total expenditures	\$ -	\$ 2,807,063	\$ 2,584,230	\$ 222,833
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (2,807,063)	\$ (2,584,230)	\$ 222,833
OTHER FINANCING SOURCES (USES)				
Issuance of bond anticipation note	\$ -	\$ 2,287,686	\$ 2,287,686	\$ -
Total other financing sources (uses)	\$ -	\$ 2,287,686	\$ 2,287,686	\$ -
Net change in fund balances	\$ -	\$ (519,377)	\$ (296,544)	\$ 222,833
Fund balances - beginning	-	519,377	519,377	-
Fund balances - ending	\$ -	\$ -	\$ 222,833	\$ 222,833

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for and reports the operations of the City's school system. Financing is provided by the State and Federal governments as well as contributions from the City's General Fund.

School Cafeteria Fund - The School Cafeteria Fund accounts for and reports the operations related to cafeteria.

School Activity Fund - The School Activity Fund accounts for and reports the operations of the individual schools.

City of Covington, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Activity Fund	Total School Fund
ASSETS				
Cash and cash equivalents	\$ 104,695	\$ -	\$ -	\$ 104,695
Cash held at schools	-	-	121,612	121,612
Accounts receivable	11,239	-	-	11,239
Due from other governmental units	389,434	20,906	-	410,340
Inventories	-	15,616	-	15,616
Prepaid items	28,937	-	-	28,937
Total assets	<u>\$ 534,305</u>	<u>\$ 36,522</u>	<u>\$ 121,612</u>	<u>\$ 692,439</u>
LIABILITIES				
Accounts payable	\$ 83,900	\$ 344	\$ -	\$ 84,244
Accrued liabilities	381,698	-	-	381,698
Total liabilities	<u>\$ 465,598</u>	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 465,942</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 28,937	\$ -	\$ -	\$ 28,937
Inventory	-	15,616	-	15,616
Restricted:				
Cafeteria	-	20,906	-	20,906
School activity fund	-	-	121,612	121,612
Assigned:				
Textbook Funds	56,305	-	-	56,305
Unassigned				
	(16,535)	(344)	-	(16,879)
Total fund balances	<u>\$ 68,707</u>	<u>\$ 36,178</u>	<u>\$ 121,612</u>	<u>\$ 226,497</u>
Total liabilities and fund balances	<u>\$ 534,305</u>	<u>\$ 36,522</u>	<u>\$ 121,612</u>	<u>\$ 692,439</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:				
Total fund balances per above				\$ 226,497
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land			\$ 89,663	
Buildings and improvements			1,355,939	
Machinery, equipment, and vehicles			332,196	1,777,798
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.				
Pension related items			\$ 2,560,621	
OPEB related items			378,935	2,939,556
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Capital lease			\$ (97,303)	
Compensated absences			(417,513)	
Accrued interest payable			(1,934)	
Net pension liability			(10,281,919)	
Net OPEB liabilities			(1,928,629)	(12,727,298)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.				
Pension related items			\$ (1,043,117)	
OPEB related items			(137,924)	(1,181,041)
Net position of governmental activities				<u>\$ (8,964,488)</u>

City of Covington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Activity Fund*	Total School Fund
REVENUES				
Charges for services	\$ -	\$ 2,057	\$ 47,403	\$ 49,460
Miscellaneous	96,337	-	-	96,337
Recovered costs	12,613	-	-	12,613
Intergovernmental:				
Local government	2,202,670	-	-	2,202,670
Commonwealth	7,582,464	5,550	-	7,588,014
Federal	1,089,894	204,799	-	1,294,693
Total revenues	<u>\$ 10,983,978</u>	<u>\$ 212,406</u>	<u>\$ 47,403</u>	<u>\$ 11,243,787</u>
EXPENDITURES				
Current:				
Education	\$ 10,707,340	\$ 329,924	\$ 129,862	\$ 11,167,126
Debt service:				
Principal retirement	36,142	-	-	36,142
Interest and other fiscal charges	4,150	-	-	4,150
Total expenditures	<u>\$ 10,747,632</u>	<u>\$ 329,924</u>	<u>\$ 129,862</u>	<u>\$ 11,207,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 236,346</u>	<u>\$ (117,518)</u>	<u>\$ (82,459)</u>	<u>\$ 36,369</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 137,591	\$ 86,353	\$ 223,944
Transfers out	(223,944)	-	-	(223,944)
Total other financing sources (uses)	<u>\$ (223,944)</u>	<u>\$ 137,591</u>	<u>\$ 86,353</u>	<u>\$ -</u>
Net change in fund balances	\$ 12,402	\$ 20,073	\$ 3,894	\$ 36,369
Fund balances - beginning, as restated	56,305	16,105	117,718	190,128
Fund balances - ending	<u>\$ 68,707</u>	<u>\$ 36,178</u>	<u>\$ 121,612</u>	<u>\$ 226,497</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 36,369

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.

Capital asset additions	\$ 79,155	
Depreciation expense	<u>(177,281)</u>	(98,126)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on capital lease		36,142
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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.

(Increase) decrease in compensated absences	\$ (26,620)	
Change in pension related items	(258,917)	
Change in OPEB related items	(2,680)	
(Increase) decrease in accrued interest payable	<u>736</u>	<u>(287,481)</u>

Change in net position of governmental activities		<u>\$ (313,096)</u>
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*The School Activity Fund does not require a legally adopted budget.

City of Covington, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2021

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ 500	\$ 500	\$ -	\$ (500)	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	38,000	38,000	2,057	(35,943)
Miscellaneous	65,352	65,352	96,337	30,985	-	-	-	-
Recovered costs	38,375	38,375	12,613	(25,762)	-	-	-	-
Intergovernmental:								
Local government	2,644,872	2,644,872	2,202,670	(442,202)	-	-	-	-
Commonwealth	7,434,819	7,434,819	7,582,464	147,645	16,924	16,924	5,550	(11,374)
Federal	598,555	1,055,703	1,089,894	34,191	320,000	320,000	204,799	(115,201)
Total revenues	\$ 10,782,473	\$ 11,239,621	\$ 10,983,978	\$ (255,643)	\$ 374,924	\$ 374,924	\$ 212,406	\$ (162,518)
EXPENDITURES								
Current:								
Education	\$ 10,601,317	\$ 11,058,465	\$ 10,707,340	\$ 351,125	\$ 515,788	\$ 515,788	\$ 329,924	\$ 185,864
Debt service:								
Principal retirement	36,142	36,142	36,142	-	-	-	-	-
Interest and other fiscal charges	4,150	4,150	4,150	-	-	-	-	-
Total expenditures	\$ 10,641,609	\$ 11,098,757	\$ 10,747,632	\$ 351,125	\$ 515,788	\$ 515,788	\$ 329,924	\$ 185,864
Excess (deficiency) of revenues over (under) expenditures	\$ 140,864	\$ 140,864	\$ 236,346	\$ 95,482	\$ (140,864)	\$ (140,864)	\$ (117,518)	\$ 23,346
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 140,864	\$ 140,864	\$ 137,591	\$ (3,273)
Transfers out	(140,864)	(140,864)	(223,944)	(83,080)	-	-	-	-
Total other financing sources (uses)	\$ (140,864)	\$ (140,864)	\$ (223,944)	\$ (83,080)	\$ 140,864	\$ 140,864	\$ 137,591	\$ (3,273)
Net change in fund balances	\$ -	\$ -	\$ 12,402	\$ 12,402	\$ -	\$ -	\$ 20,073	\$ 20,073
Fund balances - beginning	-	-	56,305	56,305	-	-	16,105	16,105
Fund balances - ending	\$ -	\$ -	\$ 68,707	\$ 68,707	\$ -	\$ -	\$ 36,178	\$ 36,178

Supporting Schedules

City of Covington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 1 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,270,346	\$ 2,270,346	\$ 2,376,977	\$ 106,631
Real and personal public service corporation taxes	1,800,000	1,800,000	2,164,453	364,453
Personal property taxes	1,146,444	1,146,444	1,194,140	47,696
Mobile home taxes	3,300	3,300	7,192	3,892
Machinery and tools taxes	3,750,000	3,750,000	3,922,166	172,166
Penalties	30,000	30,000	288,514	258,514
Interest and fees	37,500	37,500	47,523	10,023
Total general property taxes	<u>\$ 9,037,590</u>	<u>\$ 9,037,590</u>	<u>\$ 10,000,965</u>	<u>\$ 963,375</u>
Other local taxes:				
Local sales and use taxes	\$ 1,271,875	\$ 1,271,875	\$ 1,614,600	\$ 342,725
Consumers' utility taxes	395,000	395,000	390,388	(4,612)
Consumption taxes	18,750	18,750	23,620	4,870
Business license taxes	375,000	375,000	541,654	166,654
Franchise license taxes	-	-	356	356
Motor vehicle licenses	175,000	175,000	162,104	(12,896)
Bank stock taxes	226,060	226,060	250,210	24,150
Recordation tax	13,000	13,000	21,754	8,754
Hotel and motel room taxes	30,000	30,000	35,023	5,023
Restaurant food taxes	787,500	787,500	982,252	194,752
Tobacco taxes	95,000	95,000	102,597	7,597
Total other local taxes	<u>\$ 3,387,185</u>	<u>\$ 3,387,185</u>	<u>\$ 4,124,558</u>	<u>\$ 737,373</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 500	\$ 500	\$ 852	\$ 352
Land use fees	50	50	511	461
Zoning and subdivision permits	250	250	509	259
Building permits	12,550	12,550	11,009	(1,541)
Other permits and licenses	675	675	792	117
Total permits, privilege fees, and regulatory licenses	<u>\$ 14,025</u>	<u>\$ 14,025</u>	<u>\$ 13,673</u>	<u>\$ (352)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 4,480	\$ 4,480	\$ 2,273	\$ (2,207)
Revenue from use of money and property:				
Revenue from use of money	\$ 68,500	\$ 68,500	\$ 73,323	\$ 4,823
Revenue from use of property	21,879	21,879	28,038	6,159
Total revenue from use of money and property	<u>\$ 90,379</u>	<u>\$ 90,379</u>	<u>\$ 101,361</u>	<u>\$ 10,982</u>
Charges for services:				
Charges for fire and rescue services	\$ 332,000	\$ 332,000	\$ 323,647	\$ (8,353)
Charges for sanitation and waste removal	-	-	1,143	1,143
Charges for parks and recreation	28,000	28,000	20,736	(7,264)
Charges for cemetery	43,500	43,500	60,415	16,915
Charges for other services	500	500	644	144
Total charges for services	<u>\$ 404,000</u>	<u>\$ 404,000</u>	<u>\$ 406,585</u>	<u>\$ 2,585</u>
Miscellaneous:				
Miscellaneous	\$ 4,400	\$ 7,450	\$ 47,064	\$ 39,614
Recovered costs:				
CSA recoveries	\$ 8,000	\$ 8,000	\$ 3,856	\$ (4,144)
Other recovered costs	7,000	7,000	33,094	26,094
Total recovered costs	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 36,950</u>	<u>\$ 21,950</u>
Total revenue from local sources	<u>\$ 12,957,059</u>	<u>\$ 12,960,109</u>	<u>\$ 14,733,429</u>	<u>\$ 1,773,320</u>

City of Covington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ -	\$ -	\$ 16,346	\$ 16,346
Mobile home titling tax	675	675	255	(420)
Motor vehicle rental tax	18,750	18,750	22,006	3,256
Telecommunications taxes	230,000	230,000	228,614	(1,386)
Personal property tax relief funds	543,456	543,456	543,456	-
Other Noncategorical aid	-	-	20,592	20,592
Total noncategorical aid	\$ 792,881	\$ 792,881	\$ 831,269	\$ 38,388
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 78,500	\$ 78,500	\$ 80,347	\$ 1,847
Treasurer	70,750	70,750	72,146	1,396
Registrar/electoral board	36,000	36,000	37,326	1,326
Total shared expenses	\$ 185,250	\$ 185,250	\$ 189,819	\$ 4,569
Other categorical aid:				
Welfare payments	\$ 25,000	\$ 113,000	\$ 125,024	\$ 12,024
CSA payments	1,488,123	1,488,123	1,261,935	(226,188)
Litter control grant	5,800	5,800	5,352	(448)
VDOT Transportation Grant	429,000	429,000	429,000	-
Fire program	20,000	20,000	30,000	10,000
Asset forfeiture	1,000	1,000	-	(1,000)
Law enforcement block grant	275,229	275,229	295,378	20,149
State highway payments	1,101,193	1,188,391	1,188,556	165
E-911 grant program	33,750	33,750	44,463	10,713
CDBG grant	120,159	120,159	120,159	-
OEMS grant	27,700	65,828	2,847	(62,981)
VA commission for the arts	4,500	4,500	4,500	-
Other State funds	2,600	4,600	1,560	(3,040)
Total other categorical aid	\$ 3,534,054	\$ 3,749,380	\$ 3,508,774	\$ (240,606)
Total categorical aid	\$ 3,719,304	\$ 3,934,630	\$ 3,698,593	\$ (236,037)
Total revenue from the Commonwealth	\$ 4,512,185	\$ 4,727,511	\$ 4,529,862	\$ (197,649)
Revenue from the federal government:				
Categorical aid:				
DMV occupant protection grant	\$ 2,500	\$ 2,500	\$ 114	\$ (2,386)
Transportation enhancement grant	76,569	547,206	295,064	(252,142)
Disaster recovery	9,346	31,236	31,235	(1)
Byrne criminal justice grant	3,400	3,400	1,381	(2,019)
CDBG Grant	55,100	55,100	29,000	(26,100)
Public assistance and welfare administration	27,500	27,500	194,946	167,446
Total categorical aid	\$ 174,415	\$ 666,942	\$ 551,740	\$ (115,202)
Total revenue from the federal government	\$ 174,415	\$ 666,942	\$ 551,740	\$ (115,202)
Total General Fund	\$ 17,643,659	\$ 18,354,562	\$ 19,815,031	\$ 1,460,469

City of Covington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 3 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
CARES Fund:				
Revenue from the federal government:				
Categorical aid:				
CARES Act COVID-19 Grant	\$ -	\$ 969,783	\$ 670,978	\$ (298,805)
Total categorical aid	\$ -	\$ 969,783	\$ 670,978	\$ (298,805)
Total revenue from the federal government	\$ -	\$ 969,783	\$ 670,978	\$ (298,805)
Total CARES Fund	\$ -	\$ 969,783	\$ 670,978	\$ (298,805)
Permanent Fund				
Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 51,238	\$ 51,238
Total Primary Government	\$ 17,643,659	\$ 19,324,345	\$ 20,537,247	\$ 1,212,902
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 500	\$ 500	\$ -	\$ (500)
Total revenue from use of money and property	\$ 500	\$ 500	\$ -	\$ (500)
Miscellaneous:				
Miscellaneous	\$ 65,352	\$ 65,352	\$ 96,337	\$ 30,985
Recovered costs:				
Payments from other localities	\$ 38,375	\$ 38,375	\$ 12,613	\$ (25,762)
Total revenue from local sources	\$ 104,227	\$ 104,227	\$ 108,950	\$ 4,723
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Covington, Virginia	\$ 2,644,872	\$ 2,644,872	\$ 2,202,670	\$ (442,202)
Revenue from the Commonwealth:				
Categorical aid:				
Algebra readiness	\$ 17,873	\$ 17,873	\$ 17,757	\$ (116)
VA preschool initiative	152,430	152,430	85,681	(66,749)
At risk payments	233,146	233,146	235,795	2,649
Basic school aid	3,526,806	3,526,806	3,571,023	44,217
Project graduation/senior year	3,507	3,507	3,507	-
Early reading intervention	45,350	45,350	45,350	-
Education technology payment	128,000	128,000	135,887	7,887
English as a second language	3,560	3,560	3,560	-
Fringe benefits	546,492	546,492	553,120	6,628
Gifted and talented	34,826	34,826	35,248	422
ISAP program	8,386	8,386	8,387	1
Lottery funds	-	-	135,274	135,274
Mentor teacher program	632	632	675	43
Primary class size	155,605	155,605	156,938	1,333
Remedial education	160,733	160,733	162,682	1,949
Regular foster care	8,656	8,656	-	(8,656)
Remedial summer education	51,756	51,756	28,034	(23,722)
Share of state sales tax	1,025,742	1,025,742	1,099,954	74,212

City of Covington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 4 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
Social security fringe benefits	\$ 227,705	\$ 227,705	\$ 230,467	\$ 2,762
Special education	551,851	551,851	558,543	6,692
Special education - homebound	-	-	1,254	1,254
Special education - regional tuition	132,659	132,659	137,112	4,453
Vocational education	94,431	94,431	95,576	1,145
Vocational education - equipment	2,752	2,752	4,575	1,823
Textbook payment	71,975	71,975	72,848	873
VA workplace readiness	-	-	120	120
Infrastructure and operations	248,002	248,002	147,398	(100,604)
Learning loss PPA funds	-	-	49,257	49,257
Other categorical aid	1,944	1,944	6,442	4,498
Total categorical aid	\$ 7,434,819	\$ 7,434,819	\$ 7,582,464	\$ 147,645
Total revenue from the Commonwealth	\$ 7,434,819	\$ 7,434,819	\$ 7,582,464	\$ 147,645
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 260,000	\$ 260,000	\$ 251,064	\$ (8,936)
Title VI, rural and low income schools	18,000	18,000	-	(18,000)
Title VI-B, special education flow-through	226,482	226,482	232,629	6,147
Vocational education	17,800	17,800	17,141	(659)
Title VI-B, special education pre-school	10,273	10,273	10,516	243
Gear-up VA project	30,000	30,000	4,662	(25,338)
Title II, Part A	36,000	36,000	34,228	(1,772)
CARES Act ESSERF	-	206,857	206,855	(2)
Gov Emerg Education Relief-GEER	-	85,458	77,368	(8,090)
CARES CRF K-12 Schools	-	164,833	164,833	-
CARES Act ESSERF II	-	-	64,198	64,198
TANF - VA Preschool - 93.558	-	-	26,400	26,400
Total categorical aid	\$ 598,555	\$ 1,055,703	\$ 1,089,894	\$ 34,191
Total revenue from the federal government	\$ 598,555	\$ 1,055,703	\$ 1,089,894	\$ 34,191
Total School Operating Fund	\$ 10,782,473	\$ 11,239,621	\$ 10,983,978	\$ (255,643)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 38,000	\$ 38,000	\$ 2,057	\$ (35,943)
Total revenue from local sources	\$ 38,000	\$ 38,000	\$ 2,057	\$ (35,943)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 16,924	\$ 16,924	\$ 5,550	\$ (11,374)
Total revenue from the Commonwealth	\$ 16,924	\$ 16,924	\$ 5,550	\$ (11,374)

City of Covington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
Page 5 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 320,000	\$ 320,000	\$ 204,799	\$ (115,201)
Total revenue from the federal government	\$ 320,000	\$ 320,000	\$ 204,799	\$ (115,201)
Total School Cafeteria Fund	\$ 374,924	\$ 374,924	\$ 212,406	\$ (162,518)
Total Discretely Presented Component Unit - School Board	\$ 11,157,397	\$ 11,614,545	\$ 11,196,384	\$ (418,161)

City of Covington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
Page 1 of 5

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City council	\$ 42,165	\$ 46,670	\$ 46,399	\$ 271
City clerk	18,551	17,551	17,140	411
Total legislative	<u>\$ 60,716</u>	<u>\$ 64,221</u>	<u>\$ 63,539</u>	<u>\$ 682</u>
General and financial administration:				
City manager	\$ 257,018	\$ 266,647	\$ 266,424	\$ 223
Human resources	9,500	2,461	2,109	352
Information technology	125,447	136,264	126,623	9,641
Legal services	87,390	119,411	119,410	1
Commissioner of revenue	250,266	250,919	250,740	179
Independent auditors	72,400	72,515	72,514	1
Treasurer	294,872	357,325	357,318	7
Central accounting	488,326	523,886	517,508	6,378
Total general and financial administration	<u>\$ 1,585,219</u>	<u>\$ 1,729,428</u>	<u>\$ 1,712,646</u>	<u>\$ 16,782</u>
Board of elections:				
Electoral board and officials	\$ 85,231	\$ 98,539	\$ 98,541	\$ (2)
Total general government administration	<u>\$ 1,731,166</u>	<u>\$ 1,892,188</u>	<u>\$ 1,874,726</u>	<u>\$ 17,462</u>
Judicial administration:				
Courts:				
Circuit court	\$ 20,257	\$ 20,257	\$ 20,257	\$ -
General district court	6,492	6,492	6,492	-
Magistrates office	2,000	2,000	1,902	98
Clerk of the circuit court	47,993	47,993	47,993	-
Sheriff (court)	122,734	122,734	122,734	-
Courthouse security	15,883	15,883	15,883	-
Total courts	<u>\$ 215,359</u>	<u>\$ 215,359</u>	<u>\$ 215,261</u>	<u>\$ 98</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 70,651	\$ 70,651	\$ 70,651	\$ -
Total judicial administration	<u>\$ 286,010</u>	<u>\$ 286,010</u>	<u>\$ 285,912</u>	<u>\$ 98</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,851,905	\$ 1,842,253	\$ 1,671,411	\$ 170,842
Sheriff	233,608	233,608	233,608	-
E-911	653,257	653,257	592,820	60,437
School resource officer	54,902	68,600	68,599	1
Seizure/forfeiture funds	1,500	8,804	300	8,504
Total law enforcement and traffic control	<u>\$ 2,795,172</u>	<u>\$ 2,806,522</u>	<u>\$ 2,566,738</u>	<u>\$ 239,784</u>
Fire and rescue services:				
Volunteer fire department	\$ 244,592	\$ 343,985	\$ 226,071	\$ 117,914
Ambulance service	595,423	670,705	550,319	120,386
Total fire and rescue services	<u>\$ 840,015</u>	<u>\$ 1,014,690</u>	<u>\$ 776,390</u>	<u>\$ 238,300</u>
Correction and detention:				
Sheriff (jail)	\$ 343,173	\$ 427,719	\$ 427,719	\$ -
Probation office	3,102	3,729	3,728	1
Total correction and detention	<u>\$ 346,275</u>	<u>\$ 431,448</u>	<u>\$ 431,447</u>	<u>\$ 1</u>
Inspections:				
Building	\$ 181,752	\$ 173,402	\$ 153,052	\$ 20,350

City of Covington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 69,639	\$ 69,639	\$ 68,414	\$ 1,225
Medical examiner	100	100	80	20
Total other protection	<u>\$ 69,739</u>	<u>\$ 69,739</u>	<u>\$ 68,494</u>	<u>\$ 1,245</u>
Total public safety	<u>\$ 4,232,953</u>	<u>\$ 4,495,801</u>	<u>\$ 3,996,121</u>	<u>\$ 499,680</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineer office	\$ 45,000	\$ 50,500	\$ 42,824	\$ 7,676
Street department	1,673,920	2,211,640	1,933,874	277,766
Snow and ice removal	17,500	42,890	25,901	16,989
Traffic engineering	107,319	101,685	99,907	1,778
Street cleaning	15,000	15,000	3,904	11,096
Street lights	165,000	165,000	161,786	3,214
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 2,023,739</u>	<u>\$ 2,586,715</u>	<u>\$ 2,268,196</u>	<u>\$ 318,519</u>
Sanitation and waste removal:				
Litter control grant	<u>\$ 5,800</u>	<u>\$ 5,922</u>	<u>\$ 5,921</u>	<u>\$ 1</u>
Maintenance of general buildings and grounds:				
General properties	\$ 349,400	\$ 362,250	\$ 356,357	\$ 5,893
Motor vehicular maintenance	223,968	223,968	209,939	14,029
Total maintenance of general buildings and grounds	<u>\$ 573,368</u>	<u>\$ 586,218</u>	<u>\$ 566,296</u>	<u>\$ 19,922</u>
Total public works	<u>\$ 2,602,907</u>	<u>\$ 3,178,855</u>	<u>\$ 2,840,413</u>	<u>\$ 338,442</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 100,781</u>	<u>\$ 100,781</u>	<u>\$ 91,006</u>	<u>\$ 9,775</u>
Mental health and mental retardation:				
Alleghany Highlands community services board	<u>\$ 67,470</u>	<u>\$ 67,470</u>	<u>\$ 67,470</u>	<u>\$ -</u>
Welfare:				
Radar transportation Service	\$ 13,500	\$ 13,500	\$ 13,500	\$ -
Feeding America	2,500	2,500	2,500	-
Safehomes, Inc.	1,800	1,800	1,800	-
Jackson river enterprise	10,800	10,800	2,700	8,100
Alleghany Highlands CSA foster care	2,002,979	1,779,063	1,769,153	9,910
Social Services	135,800	469,716	469,222	494
Other contributions	5,850	5,850	5,850	-
Property tax relief for the elderly	-	-	33,047	(33,047)
Total welfare	<u>\$ 2,173,229</u>	<u>\$ 2,283,229</u>	<u>\$ 2,297,772</u>	<u>\$ (14,543)</u>
Total health and welfare	<u>\$ 2,341,480</u>	<u>\$ 2,451,480</u>	<u>\$ 2,456,248</u>	<u>\$ (4,768)</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 2,983	\$ 2,983	\$ 2,983	\$ -
Contribution to City School Board	2,644,872	2,644,872	2,202,670	442,202
Total education	<u>\$ 2,647,855</u>	<u>\$ 2,647,855</u>	<u>\$ 2,205,653</u>	<u>\$ 442,202</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	<u>\$ 1,110,954</u>	<u>\$ 1,110,954</u>	<u>\$ 1,072,269</u>	<u>\$ 38,685</u>

City of Covington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (continued)				
Cultural enrichment:				
Senior center	\$ 157,343	\$ 157,343	\$ 128,509	\$ 28,834
Cemetery	264,498	264,498	234,658	29,840
League of older Americans	2,734	2,734	2,734	-
YMCA	2,790	2,790	2,790	-
Alleghany Highlands arts council	6,480	6,480	6,480	-
Alleghany Highlands arts/craft center	2,520	2,520	2,520	-
Total cultural enrichment	<u>\$ 436,365</u>	<u>\$ 436,365</u>	<u>\$ 377,691</u>	<u>\$ 58,674</u>
Library:				
Contribution to regional library	\$ 128,490	\$ 128,490	\$ 128,490	\$ -
Total parks, recreation, and cultural	<u>\$ 1,675,809</u>	<u>\$ 1,675,809</u>	<u>\$ 1,578,450</u>	<u>\$ 97,359</u>
Community development:				
Planning and community development:				
Planning commission	\$ 5,535	\$ 5,732	\$ 2,319	\$ 3,413
Workforce development	857	857	857	-
Redevelopment/housing authority	20,000	20,000	20,000	-
Zoning board	475	278	112	166
Economic development	139,364	139,364	138,029	1,335
CDBG program	20,100	20,100	-	20,100
Other planning and community development	120,159	120,159	120,159	-
Total planning and community development	<u>\$ 306,490</u>	<u>\$ 306,490</u>	<u>\$ 281,476</u>	<u>\$ 25,014</u>
Environmental management:				
Contribution to soil and water district	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Cooperative extension program:				
Extension office	\$ 7,695	\$ 7,695	\$ 6,216	\$ 1,479
Total community development	<u>\$ 317,185</u>	<u>\$ 317,185</u>	<u>\$ 290,692</u>	<u>\$ 26,493</u>
Nondepartmental:				
Contingencies	\$ 13,092	\$ 688	\$ -	\$ 688
Other nondepartmental	81,563	128,992	9,333	119,659
Total nondepartmental	<u>\$ 94,655</u>	<u>\$ 129,680</u>	<u>\$ 9,333</u>	<u>\$ 120,347</u>
Debt service:				
Principal retirement	\$ 1,399,130	\$ 1,399,130	\$ 1,398,810	\$ 320
Interest and other fiscal charges	663,957	663,957	663,957	-
Total debt service	<u>\$ 2,063,087</u>	<u>\$ 2,063,087</u>	<u>\$ 2,062,767</u>	<u>\$ 320</u>
Total General Fund	<u><u>\$ 17,993,107</u></u>	<u><u>\$ 19,137,950</u></u>	<u><u>\$ 17,600,315</u></u>	<u><u>\$ 1,537,635</u></u>
Special Revenue Funds:				
CARES Fund:				
General government administration:				
General and financial administration:				
General government	\$ -	\$ 285,708	\$ 229,310	\$ 56,398
Board of elections:				
Registrar elections	\$ -	\$ 3,036	\$ 3,036	\$ -
Elections	-	48,177	7,941	40,236
Total board of elections	<u>\$ -</u>	<u>\$ 51,213</u>	<u>\$ 10,977</u>	<u>\$ 40,236</u>
Total general government administration	<u>\$ -</u>	<u>\$ 336,921</u>	<u>\$ 240,287</u>	<u>\$ 96,634</u>

City of Covington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
Page 4 of 5

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
CARES Fund: (Continued)				
Public safety:				
General public safety:				
Public safety	\$ -	\$ 70,504	\$ 70,590	\$ (86)
Public works:				
General public works:				
Public works	\$ -	\$ 169,329	\$ 169,466	\$ (137)
Utility relief	-	21,748	21,748	-
Total public works	\$ -	\$ 191,077	\$ 191,214	\$ (137)
Health and welfare:				
General health and welfare:				
Health and welfare	\$ -	\$ 5,189	\$ 5,189	\$ -
Parks, recreation, and cultural:				
General parks, recreation, and cultural:				
Parks, recreation, and cultural	\$ -	\$ 29,998	\$ 30,303	\$ (305)
Total CARES Fund	\$ -	\$ 633,689	\$ 537,583	\$ 96,106
Capital Projects Fund:				
Capital projects	\$ -	\$ 2,799,563	\$ 2,576,730	\$ 222,833
Total capital projects	\$ -	\$ 2,799,563	\$ 2,576,730	\$ 222,833
Debt service:				
Other debt service	\$ -	\$ 7,500	\$ 7,500	\$ -
Total debt service	\$ -	\$ 7,500	\$ 7,500	\$ -
Total City Capital Projects Fund	\$ -	\$ 2,807,063	\$ 2,584,230	\$ 222,833
Total Primary Government	\$ 17,993,107	\$ 22,578,702	\$ 20,722,128	\$ 1,856,574
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Attendance and health services	\$ 1,086,552	\$ 1,216,126	\$ 1,185,148	\$ 30,978
Instruction costs:				
Instruction costs	\$ 7,840,348	\$ 7,857,048	\$ 7,599,097	\$ 257,951
Operating costs:				
Pupil transportation	\$ 326,291	\$ 284,530	\$ 277,781	\$ 6,749
Operation and maintenance of school plant	986,035	1,246,713	1,202,000	44,713
Facilities	85,352	124,001	116,932	7,069
Technology	276,739	330,047	326,382	3,665
Total operating costs	\$ 1,674,417	\$ 1,985,291	\$ 1,923,095	\$ 62,196
Total education	\$ 10,601,317	\$ 11,058,465	\$ 10,707,340	\$ 351,125
Debt service:				
Principal retirement	\$ 36,142	\$ 36,142	\$ 36,142	\$ -
Interest and other fiscal charges	4,150	4,150	4,150	-
Total debt service	\$ 40,292	\$ 40,292	\$ 40,292	\$ -
Total School Operating Fund	\$ 10,641,609	\$ 11,098,757	\$ 10,747,632	\$ 351,125

City of Covington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
Page 5 of 5

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 515,788	\$ 515,788	\$ 329,924	\$ 185,864
Total School Cafeteria Fund	\$ 515,788	\$ 515,788	\$ 329,924	\$ 185,864
Total Discretely Presented Component Unit - School Board	\$ 11,157,397	\$ 11,614,545	\$ 11,077,556	\$ 536,989

Other Statistical Section

Table 1

City of Covington, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water Department	Sewer Department	Solid Waste Department	Total
2020-21	\$ 1,973,555	\$ 285,912	\$ 4,064,575	\$ 5,253,287	\$ 2,461,954	\$ 2,804,990	\$ 1,773,009	\$ 290,692	\$ 697,453	\$ 1,694,954	\$ 1,817,185	\$ 1,395,865	\$ 24,513,431
2019-20	1,671,355	210,940	4,000,830	2,042,449	2,100,392	3,585,705	2,064,533	504,066	721,741	1,711,375	1,725,736	1,986,802	22,325,924
2018-19	1,796,717	210,420	4,190,785	2,616,848	1,986,049	3,739,401	1,929,019	152,906	787,415	1,515,469	1,767,744	1,798,195	22,490,968
2017-18	1,596,965	193,309	3,824,213	5,315,732	1,928,602	3,574,098	1,868,116	252,110	1,018,605	1,512,416	1,635,976	-	22,720,142
2016-17	1,844,066	175,314	3,498,357	3,030,315	1,869,565	4,402,502	1,817,301	139,329	872,594	1,263,423	1,606,706	-	20,519,472
2015-16	1,917,011	199,965	3,460,421	2,934,344	1,342,892	3,995,718	1,324,136	97,984	1,074,337	1,054,462	1,473,877	-	18,875,147
2014-15	1,509,994	295,423	3,366,041	2,598,684	1,498,921	4,304,188	1,568,825	110,143	1,211,614	1,093,836	1,459,626	-	19,017,295
2013-14	1,569,154	164,988	3,152,116	2,702,655	1,448,418	4,064,623	1,515,073	77,718	1,135,754	1,114,862	1,256,623	-	18,201,984
2012-13	1,401,609	124,651	2,889,561	2,837,163	1,351,070	4,292,522	1,400,941	99,723	1,003,044	1,304,304	1,206,873	-	17,911,461
2011-12	1,438,892	123,380	3,021,155	2,700,887	1,758,368	5,874,905	1,212,345	70,625	1,052,480	1,173,197	1,066,781	-	19,493,015

Table 2

City of Covington, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2020-21	\$ 5,967,380	\$ 4,432,625	\$ 556,220	\$	\$ 10,009,099	\$ 4,124,558	\$ 153,946	\$ 75,074	\$ 831,269	\$ 26,150,171
2019-20	6,369,994	3,042,172	560,134		9,168,292	3,974,923	101,713	93,435	843,577	24,154,240
2018-19	6,476,138	3,339,954	278,646		8,837,051	4,094,054	122,172	87,514	858,084	24,093,613
2017-18	5,687,638	3,812,846	523,817		8,635,037	3,847,681	96,348	105,896	856,277	23,565,540
2016-17	5,601,467	2,750,744	43,472		8,389,499	3,789,785	92,931	190,770	893,492	21,752,160
2015-16	5,048,173	2,525,991	9,090		8,137,262	3,647,128	32,364	543,348	884,099	20,827,455
2014-15	5,009,483	2,405,973	55,382		7,917,708	3,656,977	51,153	140,692	893,422	20,130,790
2013-14	4,368,558	2,442,710	632,377		6,969,022	3,660,422	78,598	243,652	899,272	19,294,611
2012-13	4,045,390	2,467,313	468,882		6,763,991	3,979,168	80,082	14,490	893,226	18,712,542
2011-12	4,071,784	2,614,381	1,319,432		7,225,937	3,668,311	49,372	48,748	852,781	19,850,746

City of Covington, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service (3)	Total
2020-21	\$ 2,115,013	\$ 285,912	\$ 4,066,711	\$ 3,031,627	\$ 2,461,437	\$ 11,170,109	\$ 1,608,753	\$ 290,692	\$ 2,576,730	\$ 9,333	\$ 2,103,059	\$ 29,719,376
2019-20	1,818,377	210,940	3,781,616	2,197,165	2,113,135	11,215,189	1,957,001	504,066	414,963	1,100	2,106,243	26,319,795
2018-19	1,975,272	210,420	4,131,406	2,619,371	2,116,379	11,389,063	1,874,324	232,781	435,649	14,683	2,091,683	27,091,031
2017-18	1,713,498	193,309	3,814,167	4,920,549	1,937,894	11,182,920	1,736,080	252,110	4,331,586	5,840	1,990,332	32,078,285
2016-17	1,897,928	175,314	3,355,693	2,939,220	1,910,817	11,445,748	1,689,096	139,329	381,951	144,930	1,870,305	25,950,331
2015-16	1,949,443	199,965	4,007,619	3,025,459	1,352,724	10,428,972	2,139,810	97,984	308,714	22,730	2,049,392	25,582,812
2014-15	1,508,481	295,423	3,403,939	2,692,712	1,520,875	10,300,287	1,636,406	110,143	657,271	30,688	1,598,984	23,755,209
2013-14	1,442,101	164,988	3,000,898	2,470,238	1,455,490	10,103,530	1,544,455	85,394	333,530	135,264	1,204,549	21,940,437
2012-13	1,366,664	124,651	3,283,642	2,469,270	1,377,241	10,343,711	1,269,112	99,723	226,457	-	1,445,138	22,005,609
2011-12	1,679,198	123,380	3,008,874	2,269,664	1,781,741	10,533,161	1,691,179	70,625	70,148	-	1,725,188	22,953,158

(1) Includes all governmental funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) For fiscal year 2013-14, excludes refunding of \$15,279,100 and related bond issuance cost of \$71,526. For Fiscal Year 2015-16, excludes bond issuance cost of \$48,867. For Fiscal Year 2017-18, excludes bond issuance cost of \$45,000. For fiscal year 2020-21, excludes bond issuance cost of \$7,500. For fiscal year 2011-12, excludes bond issuance cost of \$110,350.

City of Covington, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property		Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2020-21	\$ 10,000,965	\$ 4,124,558	\$ 13,673	\$ 2,273	\$ 152,599	\$ 456,045	\$ 143,401	\$ 49,563	\$ 14,635,287	\$ 29,578,364	
2019-20	9,138,139	3,974,923	19,087	3,579	93,383	462,957	235,509	57,000	12,484,537	26,469,114	
2018-19	8,796,076	4,094,054	18,006	3,324	112,814	532,436	156,651	50,663	12,393,696	26,157,720	
2017-18	8,726,512	3,847,681	38,143	7,061	89,207	1,597,226	204,094	74,589	12,858,781	27,443,294	
2016-17	8,326,893	3,789,785	7,849	4,709	88,565	1,456,599	273,550	102,615	11,322,775	25,373,340	
2015-16	8,060,434	3,647,128	11,397	2,934	28,209	1,358,395	559,184	85,491	10,554,857	24,308,029	
2014-15	7,936,275	3,656,977	14,612	6,035	45,956	1,599,911	202,542	53,881	10,227,426	23,743,615	
2013-14	6,883,416	3,660,422	11,102	7,488	71,181	1,185,004	316,127	109,596	10,000,137	22,244,473	
2012-13	6,734,155	3,979,168	14,758	7,613	80,839	986,993	266,252	85,741	9,796,144	21,951,663	
2011-12	7,227,463	3,668,311	30,126	12,163	50,459	1,142,389	308,716	80,095	9,962,710	22,482,432	

(1) Includes all governmental funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

City of Covington, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2020-21	\$ 10,270,769	\$ 10,011,483	97.48%	\$ 196,901	10,208,384	99.39%	\$ 699,710	6.81%
2019-20	9,578,402	9,383,237	97.96%	187,709	9,570,946	99.92%	732,257	7.64%
2018-19	9,223,782	9,047,685	98.09%	192,428	9,240,113	100.18%	681,446	7.39%
2017-18	8,995,492	8,864,919	98.55%	241,157	9,106,076	101.23%	633,196	7.04%
2016-17	8,762,926	8,597,806	98.12%	178,911	8,776,717	100.16%	706,988	8.07%
2015-16	8,515,950	8,355,485	98.12%	142,120	8,497,605	99.78%	632,340	7.43%
2014-15	8,280,409	8,140,031	98.30%	143,259	8,283,290	100.03%	600,070	7.25%
2013-14	7,368,660	7,235,703	98.20%	117,095	7,352,798	99.78%	579,245	7.86%
2012-13	7,676,550	7,565,315	98.55%	86,064	7,651,379	99.67%	473,991	6.17%
2011-12	7,683,731	7,605,442	98.98%	94,049	7,699,491	100.21%	453,285	5.90%

(1) Exclusive of penalties and interest.

(2) Delinquent tax collections are exclusive of land redemptions.

(3) Includes amounts paid under the Personal Property Tax Relief Act.

City of Covington, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (3)	Machinery and Tools (4)	Public Utility (2)		Total
				Real Estate	Personal Property	
2020-21	\$ 296,061,600	\$ 56,485,905	\$ 136,534,670	\$ 240,961,221	-	\$ 730,043,396
2019-20	286,904,100	54,114,100	124,530,900	251,428,671	-	716,977,771
2018-19	286,739,177	54,043,442	124,530,900	251,428,671	-	716,742,190
2017-18	286,469,600	28,968,320	57,467,260	280,844,236	12,505	653,761,921
2016-17	286,698,566	29,259,446	54,576,920	281,858,971	12,555	652,406,458
2015-16	286,142,709	29,184,062	51,151,310	275,694,537	61,141	642,233,759
2014-15	274,495,282	27,925,181	51,856,052	269,623,842	-	623,900,357
2013-14	274,016,639	26,072,593	55,549,130	100,018,610	-	455,656,972
2012-13	272,817,085	27,087,296	74,874,215	25,072,535	110,208	399,961,339
2011-12	271,839,495	26,780,775	76,975,965	23,878,024	18,249	399,492,508

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Prior to fiscal year 2019, personal property taxes were assessed at 55% NADA. The subsequent years are assessed at 100%. Also, business personal property were assessed at 10% original costs prior to fiscal year 2019, subsequent years are assessed at 20%.

(4) Prior to fiscal year 2019, machinery and tools taxes were assessed at 15%. The subsequent years are assessed at 30%.

Table 7

**City of Covington, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Mobile Homes	Personal Property (2)	Machinery and Tools (2)
2020-21	\$ 0.80	\$ 0.80	\$ 3.08	\$ 2.76
2019-20	0.80	0.80	3.08	2.76
2018-19 (3)	0.80	0.80	3.08	2.76
2017-18	0.76	0.76	5.60	5.52
2016-17	0.75	0.75	5.60	5.52
2015-16	0.73	0.73	5.60	5.52
2014-15	0.71	0.71	5.60	5.52
2013-14	0.69	0.69	5.60	5.52
2012-13	0.69	0.69	5.60	5.52
2011-12	0.69	0.69	5.60	5.52

(1) Per \$100 of assessed value.

(2) See Table 6 for change in assessment methods.

(3) Rates shown for mobile homes, personal property and machinery and tools are for 1st half 2019. 2nd half 2018 are same as rates shown for 2017-18.

Table 8

City of Covington, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2020-21	5,737	\$ 730,043	\$ 25,272,099	3.46%	\$ 4,405
2019-20	5,961	716,978	24,306,355	3.39%	4,078
2018-19	5,961	716,742	25,591,444	3.57%	4,293
2017-18	5,961	653,762	26,834,679	4.10%	4,502
2016-17	5,961	652,406	25,434,047	3.90%	4,267
2015-16	5,961	642,234	25,591,275	3.98%	4,293
2014-15	5,961	623,900	25,238,699	4.05%	4,234
2013-14	5,961	455,657	25,577,766	5.61%	4,291
2012-13	5,961	399,961	28,957,022	7.24%	4,858
2011-12	5,961	399,493	35,499,359	8.89%	5,955

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bond anticipation notes, and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

City of Covington, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal (3)	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2020-21	\$ 1,434,952	\$ 668,107	\$ 2,103,059	\$ 29,719,376	7.08%
2019-20	1,363,113	702,837	2,065,950	26,319,795	7.85%
2018-19	1,322,490	740,265	2,062,755	27,091,031	7.61%
2017-18	1,207,659	782,673	1,990,332	32,078,285	6.20%
2016-17	1,093,100	777,205	1,870,305	25,950,331	7.21%
2015-16	979,534	1,067,484	2,047,018	25,582,812	8.00%
2014-15	663,957	1,187,259	1,851,216	23,755,209	7.79%
2013-14	314,436	890,113	1,204,549	21,940,437	5.49%
2012-13	473,155	971,983	1,445,138	22,005,609	6.57%
2011-12	532,023	1,193,165	1,725,188	22,953,158	7.52%

(1) Includes General fund of the Primary Government and Operating Fund of the Discretely Presented Component Unit - School Board.

(2) Excludes bond issuance and other costs.

(3) Excludes refinancing of bond anticipation note and refunding of general obligation bond.

City of Covington, Virginia
Computation of Legal Debt Margin
At June 30, 2021

Legal Debt Limit:

10% of Assessed Value of Taxable Real Estate	\$296,061,600	\$	29,606,160
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Deduct:

Debt Payable			25,272,099
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Legal Margin for Creation of Additional Debt		\$	<u>4,334,061</u>
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COMPLIANCE SECTION

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Members of the City Council
City of Covington, Virginia
Covington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Covington, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Covington, Virginia's basic financial statements and have issued our report thereon dated November 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Covington, 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 the City of Covington, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Covington, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2021-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Covington, 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*.

City of Covington, Virginia's Response to Findings

City of Covington, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Covington, 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.

Robinson, Fawcett, Cox Associates

Blacksburg, Virginia
November 23, 2021



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**To the Honorable Members of the City Council
City of Covington, Virginia
Covington, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the City of Covington, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Covington, Virginia's major federal programs for the year ended June 30, 2021. City of Covington, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Covington, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Covington, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Covington, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Covington, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City of Covington, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Covington, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Covington, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Fawcett, & Associates

Blacksburg, Virginia
November 23, 2021

City of Covington, Virginia
Schedule of Expenditures of Federal Awards (SEFA)
For the Year Ended June 30, 2021

Federal Grantor/ State Pass-Through Grantee/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number		Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Pass Through Payments:				
Child Nutrition Cluster:				
<i>Department of Agriculture:</i>				
Food Distribution-Schools (Note 3)	10.555	Not available		\$ 10,736
<i>Department of Education:</i>				
COVID-19 Summer Food Service Program for Children	10.559	APE60175, APE60175	\$ 26,471	
Summer Food Service Program for Children	10.559	APE60302, APE60303	167,592	194,063
Total Department of Agriculture				\$ 204,799
DEPARTMENT OF EDUCATION:				
Pass Through Payments:				
<i>Department of Education:</i>				
Title I - Grants to Local Educational Agencies	84.010	APE42901		\$ 251,064
Special Education Cluster:				
Special Education - Grants to States	84.027	APE43071	\$ 232,629	
Special Education - Preschool Grants	84.173	APE62521	10,516	
Total Special Education Cluster				243,145
Career and Technical Education - Basic Grants to States	84.048	APE60031		17,141
Competitive Grants for State Assessments	84.368	Not available		34,228
Gaining Early Awareness and Readiness of Undergraduate Programs	84.334	Not available		4,662
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	APE60177	\$ 271,053	
COVID-19 Governor's Emergency Education Relief Fund	84.425C	APE70037	77,368	348,421
Total Department of Education				\$ 898,661
DEPARTMENT OF TREASURY:				
Pass Through Payments:				
<i>Department of Accounts:</i>				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	\$ 670,978	
<i>Department of Education:</i>				
COVID-19 - Coronavirus Relief Fund	21.019	APE70056	164,833	\$ 835,811
DEPARTMENT OF JUSTICE:				
Pass Through Payments:				
<i>Department of Criminal Justice Services:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	CJS7101608		\$ 1,381
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Pass Through Payments:				
<i>Department of Housing and Community Development:</i>				
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	CAMS 19PG14, 17PG14		\$ 29,000
DEPARTMENT OF HOMELAND SECURITY:				
Pass Through Payments:				
<i>Department of Emergency Management:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DEM0015899		\$ 21,890
Emergency Management Performance Grants	97.042	EMP-2020-EP-00005		9,345
Total Department of Homeland Security				\$ 31,235
DEPARTMENT OF TRANSPORTATION:				
Pass Through Payments:				
<i>Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	SC 15 55385		\$ 295,064
<i>Department of Motor Vehicles:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.602	111416, 113688		114
Total Department of Transportation				\$ 295,178
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass Through Payments:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families Program	93.556	0960119		\$ 43
Temporary Assistance for Needy Families	93.558	0400121		26,312
Foster Care - Title IV-E	93.658	1100120, 1100121		148,721

City of Covington, Virginia
Schedule of Expenditures of Federal Awards (SEFA)
For the Year Ended June 30, 2021

Federal Grantor/ State Pass-Through Grantee/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (Continued)</i>			
Pass Through Payments: (Continued)			
<i>Department of Social Services: (Continued)</i>			
Social Services Block Grant	93.667	1000120 1000121	\$ 46,103
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120	167
Total Department of Health and Human Services			<u>\$ 221,346</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,517,411</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Covington, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented 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). Because the Schedule presents only a selected portion of the operations of the City of Covington, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Covington, Virginia.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The City did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

NOTE 3--FOOD DISTRIBUTION:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the Covington City School Board held food commodities totaling \$15,616 in inventory.

NOTE 4--SUBRECIPIENTS:

The City did not have any subrecipients for the year ended June 30, 2021.

NOTE 5--RELATIONSHIP TO THE FINANCIAL STATEMENTS:

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 551,740
CARES Fund	670,978
Total Primary Government	<u>\$ 1,222,718</u>
Component Unit School Board:	
School Operating Fund	\$ 1,089,894
School Cafeteria Fund	204,799
Total Component Unit School Board	<u>\$ 1,294,693</u>
Total Federal Expenditures per Basic Financial Statements	<u><u>\$ 2,517,411</u></u>

City of Covington, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)?	No
Identification of major programs:	

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Funds
84.425	Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

2021-001

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The City Treasurer's Office lacks proper segregation of duties over the collections process.
Effect of Condition:	There is a deficiency in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.
Cause of Condition:	The Treasurer's office has not properly segregated someone independent of the collections process to review the work of the employees collecting money from customers.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Section II - Financial Statement Findings (Continued)

2021-001 (Continued)

Recommendation: The Treasurer's office should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.

Management's Response: In an effort to assist the Treasurer's office, the City has purchased Munis software to help the Treasurer's office in the collections process.

Section III - Federal Award Findings and Questioned Costs

None

City of Covington, Virginia
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

2021-001	Significant Deficiency
Condition:	The City Treasurer's Office lacks proper segregation of duties over the collections process.
Recommendation:	The Treasurer's office should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Current Status:	Finding 2020-001 was repeated in the current year as 2021-001.