

FINANCIAL STATEMENTS



TOWN OF RICHLANDS, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2021

TOWN OF RICHLANDS, VIRGINIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**TOWN OF RICHLANDS, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

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FOR THE YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION

TOWN OF RICHLANDS, VIRGINIA

TOWN COUNCIL

Rod Cury, Mayor

Richard Brown

Jeffrey Hurst

C. Logan Plaster

Doug Ratliff

Michael Street, Jr

Mary Ann Strong

Connie Allen, Town Clerk

OTHER OFFICIALS

John O'Daniel Town Manager

Lettie Stiltner Office Manager/Accountant

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

To the Honorable Members of the Town Council
Town of Richlands, Virginia
Richlands, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Richlands, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, and each major fund of the Town of Richlands, 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.

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 5-17, 66, and 67-72 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 Town of Richlands, Virginia's basic financial statements. The introductory section, supporting schedules, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules 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 supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and 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 September 24, 2021, on our consideration of the Town of Richlands, 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 the Town of Richlands, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Richlands, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers the readers of the Town of Richlands, Virginia (the Town) financial statements a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

Financial Highlights for Fiscal Year 2021

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,949,497 (net position). At June 30, 2021, the Town had unrestricted net position of \$(1,602,674).
- The Town's total net position decreased by \$693,742. The decrease is significantly attributable to an increase in both governmental and business-type liabilities.
- The Town's total liabilities at the close of the current fiscal year were \$18,357,989, including \$13,203,903 in long-term obligations and \$4,006,921 in unearned revenue.
- Long-term obligations primarily represent amounts due on the Town's general obligation and revenue bonds, net pension liability and notes payable.
- Unearned revenue represents funding received in advance and carried over for use in the next fiscal year from Virginia Department of Transportation and American Rescue Plan Act funds.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$(309,964), an decrease of \$537,375 from the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$(527,716), or -7.3% of total general fund expenditures.
- At the end of the fiscal year June 30, 2021, the Town incurred expenses of \$420,300 for building improvements at the Town's water and wastewater treatment facilities. The expenses incurred are for the for the installation of new fluoride system equipment and engineering costs for upgrades and improvements to both facilities.
- At the close of the current fiscal year, the Town had construction in progress projects totaling \$881,570, which include construction of the downtown Greenway Pavilion project (\$4,950), new fluoride system at the water treatment plant (\$43,023), and engineering services for the water and wastewater treatment plant upgrade & improvements (\$833,597).
- The Town completed the building and land improvements at the Town's railroad foreman section house property on July 1, 2020 with total incurred costs of \$255,145 and the sidewalk replacement project on Grayson Avenue on October 31, 2020 with total incurred costs of \$96,915.
- During the current fiscal year, the Town purchased a new vehicle, fire truck, and equipment for the public safety departments totaling \$782,976 and computer / IT equipment for approximately \$236,883.
- The current fiscal year computer / IT equipment purchases noted above include the following transactions:
 - On December 11, 2020, the Town entered into a 4 year capital lease (\$132,867) to purchase Cisco switches. The first payment was due on April 11, 2021 in the amount of \$12,000.
 - On May 1, 2021, the Town entered into a 3.5 year capital lease (\$100,790) to purchase Dell servers. The first payment is due on January 1, 2021 in the amount of \$34,671.

Financial Highlights for Fiscal Year 2021 (Continued)

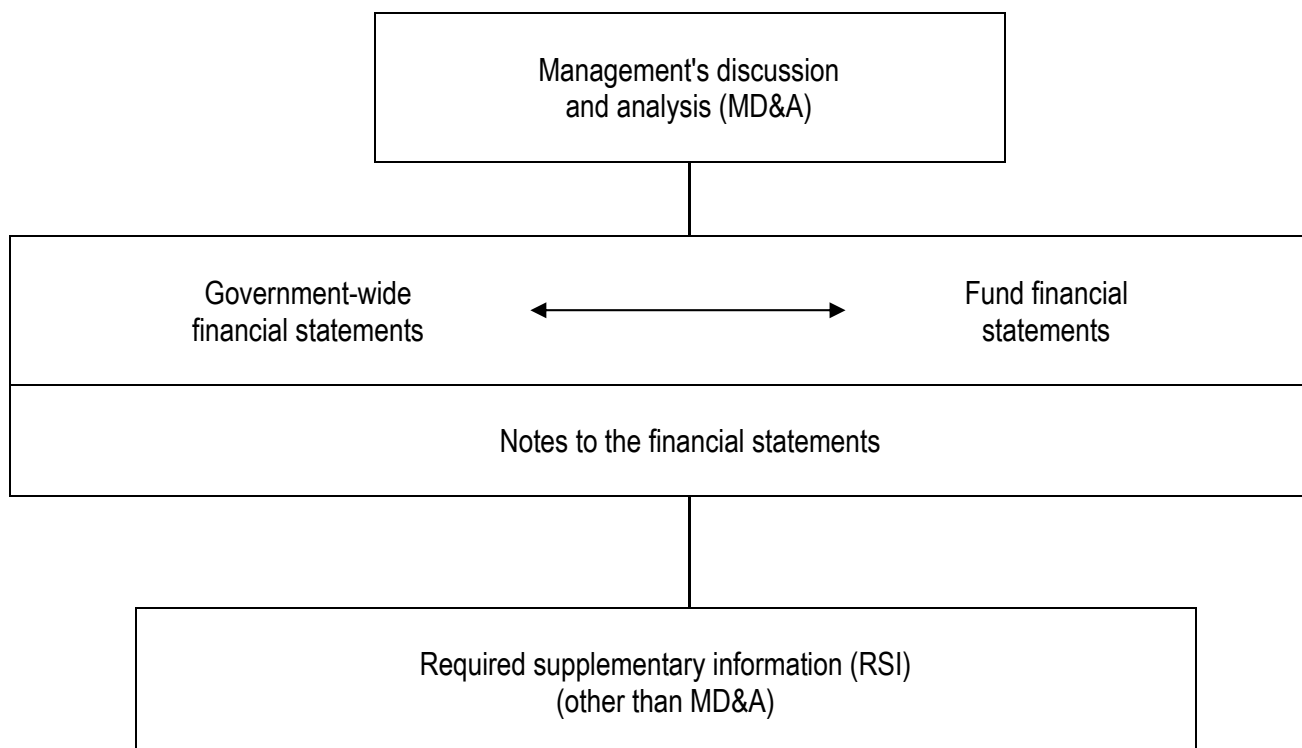
- In fiscal year 2020, the Town entered into a note payable for \$1,000,000, which was increased to \$1,200,000 in fiscal year 2021, to be used as interim financing for final design engineering services for the water and wastewater treatment plant upgrade & improvements; and has drawn down a total of \$863,698 at the close of the current fiscal year.
- The Town had one revenue bond at the end of the current fiscal year with a total balance of \$470,858.
- The Town had general obligation bonds at June 30, 2021 with an ending balance of \$1,360,113.

Overview of the Financial Statements

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

Figure A shows how the required parts of this MD&A and the Town's basic financial statements are arranged and related to one another.

Figure A
Required Components of Richland's Financial Statements



Government-Wide 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 non-fiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

The government-wide financial statements can be found on page 18-19 of this report.

Fund Financial Statements

The format of the fund financial statements will be more familiar to traditional users of the Town's financial statements. The fund financial statements provide more detailed information about the Town's most significant funds – not the Town as a whole. Funds are accounting mechanisms that the Town uses to keep track of specific sources of funding and spending for particular purposes. Separate financial statements are provided for governmental and proprietary funds. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds account for expendable financial resources other than those accounted for in the proprietary funds. The governmental fund measurement focus is upon determination of financial position and cash flows in and out and the balances that remain at year-end that is available for spending (rather than net income determination as would apply to a commercial enterprise). As a result, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The Town reports one major government fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, with the exception of those accounted for in another fund.

The basic governmental fund financial statements can be found on pages 20 and 22 of this report.

Proprietary Funds

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 revenue of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary Funds (Continued)

The Town reports the following major proprietary funds:

The *electric fund* accounts for the activities of the electric operations.

The *water and sewer fund* accounts for the activities of the water operations.

The basic proprietary fund statements can be found on pages 24-26 of this report.

Budgetary Comparison

The Town adopts an annual appropriated budget for all government funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget and will disclose how accurately the governing body was able to forecast the revenues and expenditures of the Town.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-65 of this report.

Government-Wide Financial Analysis

Statement of Net Position

The following table reflects the Town's condensed net position:

Table 1
Summary of Net Position
As of June 30, 2021

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 1,700,592	\$ 4,089,786	\$ 7,488,287	\$ 7,689,659	\$ 9,188,879	\$ 11,779,445
Capital assets	10,120,017	10,431,680	10,560,844	10,382,423	20,680,861	20,814,103
Total assets	11,820,609	14,521,466	18,049,131	18,072,082	29,869,740	32,593,548
Deferred outflows of resources	1,150,391	1,660,682	486,353	527,252	1,636,744	2,187,934
Long-term liabilities	7,054,899	7,748,956	4,953,883	5,454,947	12,008,782	13,203,903
Other liabilities	1,364,272	4,292,274	991,159	861,812	2,355,431	5,154,086
Total liabilities	8,419,171	12,041,230	5,945,042	6,316,759	14,364,213	18,357,989
Deferred inflows of resources	414,307	411,239	84,725	62,757	499,032	473,996
Net position:						
Net investment in capital assets	10,112,757	9,571,494	8,241,533	7,762,925	18,354,290	17,334,419
Restricted	382,518	217,752	-	-	382,518	217,752
Unrestricted	(6,357,753)	(6,059,567)	4,264,184	4,456,893	(2,093,569)	(1,602,674)
Total net position	\$ 4,137,522	\$ 3,729,679	\$ 12,505,717	\$ 12,219,818	\$ 16,643,239	\$ 15,949,497

Statement of Net Position (Continued)

Over time, net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,949,497 at the close of fiscal year 2021. The largest portion of the Town's net position (108.7%) reflects its net investment in capital assets (e.g., land, buildings, plant in service, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Since the capital assets themselves cannot be used to pay the related debt, the resources needed to service this debt must be provided from other sources.

Statement of Activities

The following table shows the revenues and expenses of the Town's governmental and business-type activities:

Table 2
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

	Governmental Activities		Business-type Activities	
	2020	2021	2020	2021
Revenues:				
Program revenues :				
Charges for services	\$ 1,101,057	\$ 1,162,281	9,206,532	\$ 9,158,880
Operating grants & contributions	1,157,222	1,450,816	-	-
Capital grants & contributions	-	30,000	-	-
General revenue:				
Property taxes	485,528	492,385	-	-
Other local taxes	2,109,952	2,378,576	-	-
Unrestricted investment earnings	13,351	14,239	10,736	4,540
Other / Miscellaneous	94,127	116,400	2,001	28,029
Grants and contributions not restricted	15,358	19,294	88,697	-
Total revenues	4,976,595	5,663,991	9,307,966	9,191,449
Expenses:				
General government administration	470,072	1,258,099	-	-
Public safety	3,030,837	2,851,043	-	-
Public works	1,960,923	1,963,818	-	-
Parks, recreation, culture	464,361	350,199	-	-
Community development	88,556	145,290	-	-
Nondepartmental	-	22,699	-	-
Electric	-	-	6,655,149	6,176,555
Water & sewer	-	-	3,024,508	2,781,476
Total expenses	6,014,749	6,591,148	9,679,657	8,958,031
Excess (deficiency)	(1,038,154)	(927,157)	(371,691)	233,418
Transfers	66,529	519,317	(66,529)	(519,137)
Change in net position	(971,625)	(407,840)	(438,220)	(285,719)
Net position-July 1	5,109,147	4,137,522	12,943,937	12,505,717
Net position-June 30	\$ 4,137,522	\$ 3,729,682	\$ 12,505,717	\$ 12,219,998

Statement of Activities (Continued)

During the current fiscal year, the Town's net position decreased by \$693,742. This is comprised of a decrease from governmental activities of \$407,843 and a decrease in business type activities of \$285,899.

Governmental activities – Governmental activities decreased the Town's net position by \$407,843. Additional factors are noted below.

Revenues from governmental activities totaled \$5,663,988, with charges for services (20.5%), other local taxes (41.9%) and operating grants & contributions (25.6%), being the major sources of revenues. Revenues increased in comparison to the previous year. The increase in operating grants & contributions was a combination of an increase in the amount of revenue from VDOT Street and Highway Maintenance funds that was recognized during the fiscal year and CARES Act funds received in the current fiscal year.

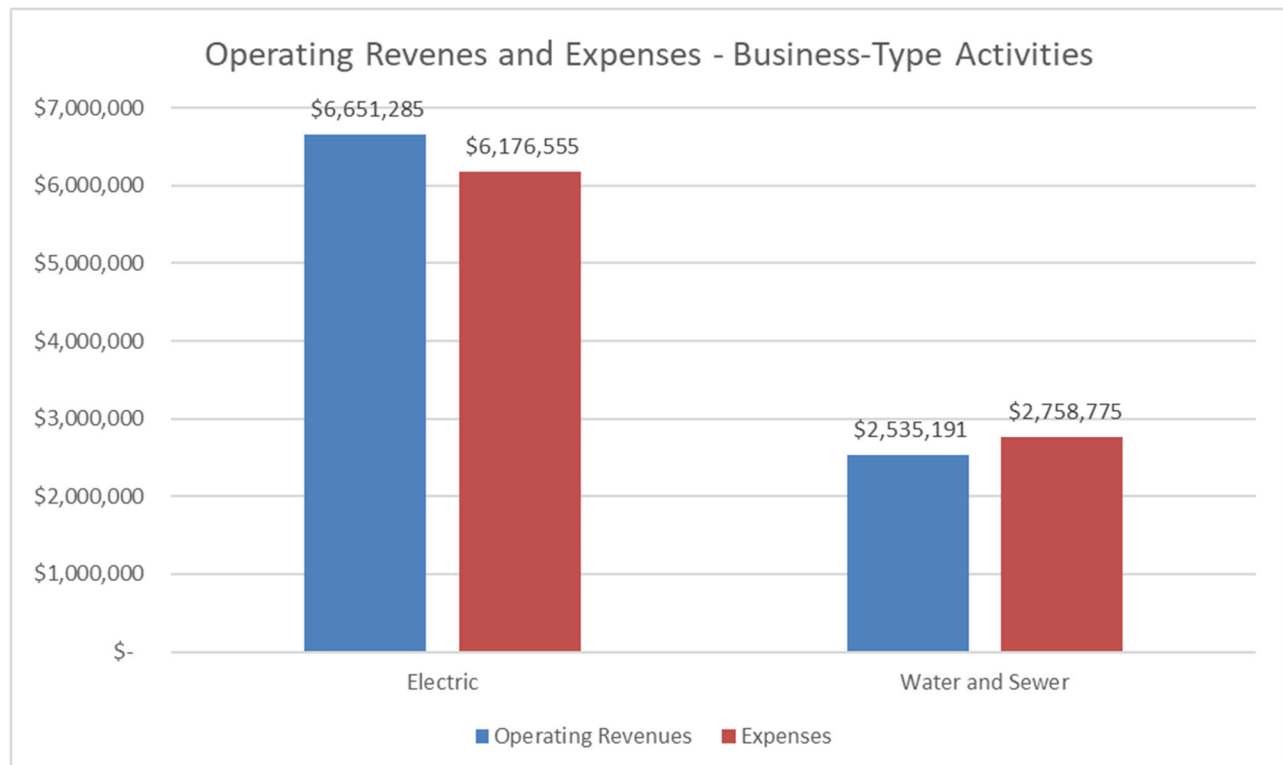
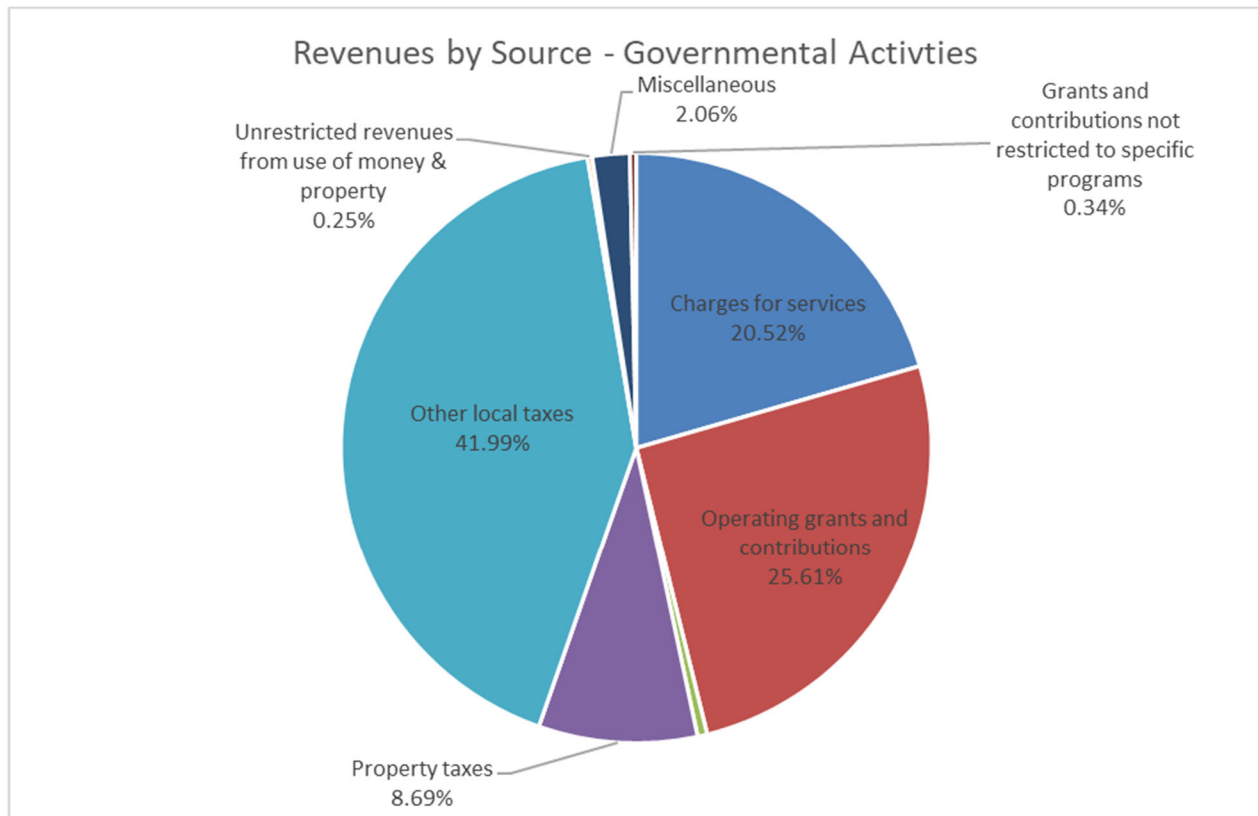
Expenses for governmental activities totaled \$6,591,148 with general governmental (19.1%), public safety (43.3%), public works (29.8%), accounting for approximately 92.2% of total governmental expenses. General government expenses administration increased by \$788,027, public safety decreased by \$179,794, public works expenses increased by \$2,895, parks, recreation and culture decreased by \$114,162, and community development increased by \$56,734. The increase in expenses for general government is due to a change in accounting procedures for cost sharing allocations to the utility departments, therefore resulting primarily in a net effect of zero on the statement of activities. The decrease in parks, recreation and culture expenses were attributed to a decrease in operating and maintenance costs of the parks and facility during the Commonwealth of Virginia Governor's executive order in relation to the COVID-19 pandemic during the current fiscal year. The increase in community development was due to COVID-19 relief efforts provided to downtown businesses that were funded with CARES Act grant monies,

Business-type activities – Net position of the business-type activities was \$12,219,818 at June 30, 2021. This was a decrease of \$285,899 from the prior year net position. The current year decrease is \$152,321 less than the prior year decrease of \$438,220. This is as a result of a decrease in operating costs specifically related to salaries and fringe benefits in all utility departments as a result of attrition and job vacancies.

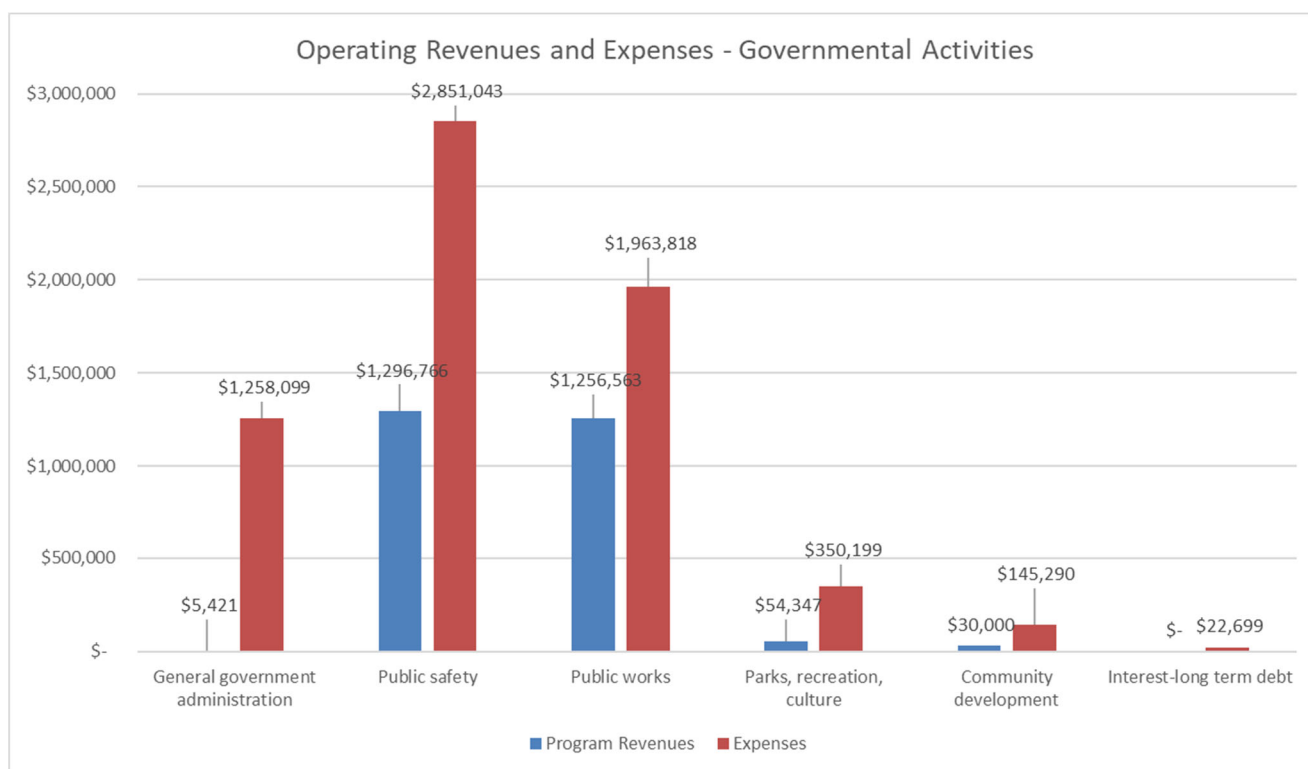
Total revenues for the business-type activities totaled \$9,191,449, of which \$9,158,880 is charges for services. Expenses totaled \$8,958,031.

- Operating revenues decreased from the prior year by \$20,056.
- Proprietary operating expenses decreased from the prior year by \$742,969.

Statement of Activities (Continued)



Statement of Activities (Continued)



Financial Analysis of the Government's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

The general fund is the government's primary operating fund. At the end of the current fiscal year, the Town's general fund reported an ending fund balance of \$(309,964), including an unassigned fund balance of \$(527,716). Unassigned fund balance represents approximately -7.3% of total fund expenditures.

The fund balance of the Town's general fund decreased during the current fiscal year by \$537,375 from current year activities. Total revenues increased by \$850,376 due primarily to an increase in other local taxes, charges for services, and intergovernmental revenues. Total expenditures increased by \$1,438,513, which is significantly due to an increase in general government administration due to a change in accounting procedures of allocated shared resources among the departments and utilities and an increase in debt service for the purchase of new fire truck.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electric and water and sewer funds amounted to \$2,561,477 and \$1,895,416, respectively. The total decrease in net position was \$285,899 during the current fiscal year.

Electric fund

The electric fund net position increased by \$230,026 from current year activities in fiscal year 2021 compared to a prior year increase of \$39,332. The increase was primarily a result of a decrease in operating expenses and increase in transfers out. Operating expenses decreased by \$478,594 (7.2%) and transfers out increased \$246,281 (100.0%) to the general fund for the allocation of shared resources. The decrease is due significantly to a decrease in personnel costs, as well as a decrease in depreciation expense.

Electric fund non-operating revenues decreased \$6,005 from the prior year, which was related primarily to a decrease in investment income during the current fiscal year.

Water and Sewer fund

The water and sewer fund net position decreased by \$515,925 from current year activities in fiscal year 2021 compared to the prior year decrease of \$477,552. The decrease in net position was a result of an increase in transfers out, which is to the cost of shared resources/operating expenditures from the general government administration, and a decrease in capital contributions. Operating revenues increased by \$15,558 (0.6%) due primarily to an increase in miscellaneous charges. Operating expenses decreased by \$264,375 (8.75%) and transfers out increased \$206,507 (310.4%) to the general fund for the allocation of shared resources. Non-operating revenues decreased by \$1,759 due to a decrease in investment income.

General Fund Budgetary Highlights

Differences between the budgeted amounts versus the actual amounts are noted below:

- Actual revenues were more than budgeted revenues by \$190,481. The increase is the result of a combination of a decrease in general property tax collections, charges for services, and VDOT highway maintenance funds; and an increase in other local taxes, miscellaneous revenues, and federal funds, specifically COVID-19 Coronavirus relief funds and HHS provider relief funds. The most significant negative variances in revenues were from failing vote of proposed government tax increases for general property tax collections and charges for services. In addition, the negative variance from the Commonwealth is largely due to VDOT highway maintenance funds received by the Town but not expended in the current fiscal year.
- Actual expenditures were more than budgeted expenditures by \$951,238. This is a result of a combination of an increase in planning and community development expenses (the increase funded by CARES Act funds) and increase in capital project expenditures.

General Fund Budgetary Highlights (Continued)

General Fund Condensed Budget vs. Actual Fiscal Year ended June 30, 2021

	Budgeted Amounts		Actual
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues	\$ 5,755,127	\$ 5,755,127	\$ 5,945,608
Expenditures	(6,299,921)	(6,299,921)	(7,251,159)
Other Financing Sources	<u>570,628</u>	<u>570,628</u>	<u>768,176</u>
Change in fund balance	<u>\$ 25,834</u>	<u>\$ 25,834</u>	<u>\$ (537,375)</u>

Capital Asset and Debt Administration

Capital Assets

The Town's net investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$17,334,419. The net investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, equipment, and public domain infrastructure additions in the current fiscal year.

Major capital asset events during the current year included the following:

- Capital asset acquisitions in governmental activities totaled \$1,111,778 (gross) in the current fiscal year. This was for construction in progress (\$91,919), machinery and equipment (\$1,019,859). Completed construction in progress resulted in asset additions of infrastructure (\$96,916) and buildings and system (\$255,144).
- Capital asset acquisitions in business-type activities totaled \$450,984 in the current fiscal year. This was for construction in progress (\$420,300) and machinery and equipment (\$30,684).

Capital Assets (Continued)

The Town's Capital Assets (Net of Depreciation) Fiscal Year ended June 30, 2021

	Governmental Activities		Business-Type Activities	
	2020	2021	2020	2021
Land	\$ 1,424,895	\$ 1,424,895	\$ 517,913	\$ 517,913
Construction in Progress	265,091	4,950	456,320	876,620
Buildings and improvements	2,114,860	2,234,890	8,549,035	8,073,350
Improvements other than buildings	5,482,181	5,142,015	-	-
Equipment	832,990	1,624,930	1,037,576	914,540
Total	<u>\$ 10,120,017</u>	<u>\$ 10,431,680</u>	<u>\$ 10,560,844</u>	<u>\$ 10,382,423</u>

Additional information on the Town's capital assets can be found in Note 12 on pages 59-60 of this report.

Long-term debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$1,830,971. Of this amount, \$470,858 is comprised of one revenue bond and the remaining balance of \$1,360,113 are general obligation bonds.

The Town's Long-term Bond Debt Fiscal Year ended June 30, 2021

	Beginning Balance	Additions	Reductions	Ending Balance
<i>Fiscal year 2020</i>				
Business-Type Activities:				
General obligation bonds	\$ 1,501,121	\$ -	\$ 53,813	\$ 1,447,308
Revenue bonds	560,546	-	44,844	515,702
Total	<u>\$ 2,061,667</u>	<u>\$ -</u>	<u>\$ 98,657</u>	<u>\$ 1,963,010</u>
<i>Fiscal year 2021</i>				
Business-Type Activities:				
General obligation bonds	\$ 1,447,308	\$ -	\$ 87,195	\$ 1,360,113
Revenue bonds	515,702	-	44,844	470,858
Total	<u>\$ 1,963,010</u>	<u>\$ -</u>	<u>\$ 132,039</u>	<u>\$ 1,830,971</u>

Additional information on the Town's long-term liability can be found in Note 5 on pages 37-40 of this report.

Economic Factors and Next Year's Budget Rates –

- The unemployment rate as of September 2021 for the County of Tazewell, in which the Town resides, is 3.9%, which is a significant decrease from the average for 2020 of 7.64%. This compares to the state's unemployment rate of 6.2% and the national rate of 8.1%.
- The Town is located in the AEP Zone of PJM Interconnection, LLC ("PJM"). The Town is also a member of American Municipal Power ("AMP") and has purchased block power from the PJM market through AMP to meet a portion of its energy needs. Additionally, through AMP, the Town is participating in several generation assets including: 2.588 MW of the Prairie State Coal plant unit #1 and unit #2 PSEC are in full commercial operation, 1.5 MW in the AMP Hydroelectric run-of-the river project (Cannelton, Smithland, and Willow Island) located on the Ohio River and 2.2 MW in the Fremont energy campus project is in full commercial operation. The Town also purchases 0.5 MW of capacity and associated energy from Southeastern Power Administration ("SEPA") through a Purchase Power Agreement ("PPA") that is cancelable by either party. Exposure to the volatile energy commodity market will be greatly reduced by providing over 50% of the Town's load requirements from these projects. For the 2022 calendar year, the AEP transmission rate will increase from \$7.97/kW-mo to \$9.23 kW-mo, a 15.8% increase. This increase is driven by a 14% increase in the Annual Transmission Revenue Requirement and a \$44.6 million true-up for previous years. The increase was slightly offset by a 3.8% increase in the AEP Zone Network Service Peak Load (NSPL).
- The Town will continue to monitor the effects of current economic conditions on energy costs in relation to powering water and wastewater plant facilities and rising costs of raw materials needed to maintain the Town and its infrastructure.
- The Town's Water and Wastewater Treatment Facilities are between 25-30 years old with equipment nearing its useful life. Thompson & Litton Engineering Firm has prepared a Water and Wastewater Asset Management/Capital Improvements Plan as well as a preliminary engineering report for the rehabilitation of the water and wastewater treatment plants. Because of the needed improvements and upgrades to both plants; the Town increased the water and sewer rates for the upcoming fiscal year 2022 based on recommendations from a Water and Sewer Rate Analysis Report. The Town has applied for funding through Virginia Department of Health (VDH) for the water treatment plant improvements and upgrades; and has also applied for funding through the Virginia Department of Environmental Quality for upgrades and improvements at the Wastewater Treatment Plant.
- The downturn in the area economy from the retirement of coal industry related jobs and companies has resulted in a negative economic impact for downtown Richlands and surrounding areas. The Town is working diligently on several projects to revitalize downtown and to stimulate growth and downtown development. The Richlands Council, Planning Commission and Richlands Industrial Development Authority are working together on several projects that will promote growth and stability in downtown Richlands through tourism and community development efforts. The Town has applied for grant funding and plans to apply for additional grants for the following projects.
 - The Downtown Clinch River Walk Trail
 - DHCD Planning Grant
 - DHCD Revitalization Grant
 - Cumberland Plateau Company Economic and Community Development Grant
- The Town hopes to capitalize on upcoming tourism attractions along our Town border and within Tazewell County. An All-terrain vehicle (ATV) and Jeep trail recently opened. The trail head is adjacent to the Town of Richlands boundary and based on research by the trail development organization will draw many visitors from various states. The trail is unique in the fact that it is the only trail that accommodates Jeeps.
- The COVID-19 Pandemic has negatively affected the Town's revenue collections in relation to meals tax, EMS services, and utility delinquencies, however we are hopeful that the situation will improve and that we will begin to see positive results and improvement in the current fiscal year.

All these factors were considered in preparing the Town's budget for fiscal year 2022.

Unassigned fund balance in the general fund was \$(527,716) as of June 30, 2021. As a result, the Town has no available funds to be utilized in order to meet any additional obligations to its citizens or to fund future capital projects.

Requests for Information

This financial report is designed to provide a general overview of the Town'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 information should be addressed to the Director of Finance, Town of Richlands, 200 Washington Square, Richlands, VA 24641.

Basic Financial Statements

Town of Richlands, Virginia
Statement of Net Position
At June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,463,364	\$ 4,490,550	\$ 7,953,914
Investments	115,023	434,074	549,097
Receivables (net of allowance for uncollectibles):			
Taxes receivable	90,659	-	90,659
Accounts receivable	322,639	805,967	1,128,606
Other receivables	-	424,354	424,354
Due from other governmental units	98,101	942,670	1,040,771
Prepaid items	-	292,572	292,572
Restricted assets:			
Cash and cash equivalents	-	299,472	299,472
Capital assets (net of accumulated depreciation):			
Land	1,424,895	517,913	1,942,808
Buildings and system	2,234,890	-	2,234,890
Machinery and equipment	1,624,930	914,540	2,539,470
Infrastructure/utility plant and buildings in service	5,142,015	8,073,350	13,215,365
Construction in progress	4,950	876,620	881,570
Total assets	<u>\$ 14,521,466</u>	<u>\$ 18,072,082</u>	<u>\$ 32,593,548</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 1,139,445	\$ 527,252	\$ 1,666,697
OPEB related items	521,237	-	521,237
Total deferred outflows of resources	<u>\$ 1,660,682</u>	<u>\$ 527,252</u>	<u>\$ 2,187,934</u>
LIABILITIES			
Accounts payable	\$ 165,936	\$ 524,297	\$ 690,233
Accrued liabilities	114,957	35,538	150,495
Customers' deposits	-	299,472	299,472
Accrued interest payable	4,460	2,505	6,965
Unearned revenue	4,006,921	-	4,006,921
Long-term liabilities:			
Due within one year	362,191	1,014,646	1,376,837
Due in more than one year	7,386,765	4,440,301	11,827,066
Total liabilities	<u>\$ 12,041,230</u>	<u>\$ 6,316,759</u>	<u>\$ 18,357,989</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - prepaid taxes	\$ 37,701	\$ -	\$ 37,701
Pension related items	74,111	62,757	136,868
OPEB related items	299,427	-	299,427
Total deferred inflows of resources	<u>\$ 411,239</u>	<u>\$ 62,757</u>	<u>\$ 473,996</u>
NET POSITION			
Net investment in capital assets	\$ 9,571,494	\$ 7,762,925	\$ 17,334,419
Restricted	217,752	-	217,752
Unrestricted	(6,059,567)	4,456,893	(1,602,674)
Total net position	<u>\$ 3,729,679</u>	<u>\$ 12,219,818</u>	<u>\$ 15,949,497</u>

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

Town of Richlands, 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		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,258,099	\$ 5,421	\$ -	\$ -	\$ (1,252,678)	\$ -	\$ (1,252,678)
Public safety	2,851,043	634,991	661,775	-	(1,554,277)	-	(1,554,277)
Public works	1,963,818	467,522	789,041	-	(707,255)	-	(707,255)
Parks, recreation, and cultural	350,199	54,347	-	-	(295,852)	-	(295,852)
Community development	145,290	-	-	-	(145,290)	-	(145,290)
Interest on long-term debt	22,699	-	-	-	(22,699)	-	(22,699)
Total governmental activities	\$ 6,591,148	\$ 1,162,281	\$ 1,450,816	\$ -	\$ (3,978,051)	\$ -	\$ (3,978,051)
Business-type activities:							
Water and sewer	\$ 2,781,476	\$ 2,507,595	\$ -	\$ -	\$ -	\$ (273,881)	\$ (273,881)
Electric	6,176,555	6,651,285	-	-	-	474,730	474,730
Total business-type activities	\$ 8,958,031	\$ 9,158,880	\$ -	\$ -	\$ -	\$ 200,849	\$ 200,849
Total primary government	\$ 15,549,179	\$ 10,321,161	\$ 1,450,816	\$ -	\$ (3,978,051)	\$ 200,849	\$ (3,777,202)
General revenues:							
General property taxes	\$ 492,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,385
Other local taxes:							
Local sales and use taxes					454,785	-	454,785
Consumers' utility taxes					230,765	-	230,765
Business license taxes					526,937	-	526,937
Motor vehicle licenses					32,630	-	32,630
Bank stock tax					200,998	-	200,998
Meals taxes					836,776	-	836,776
Other local taxes					95,682	-	95,682
Unrestricted revenues from use of money and property					14,239	4,540	18,779
Miscellaneous					116,400	28,029	144,429
Grants and contributions not restricted to specific programs					49,294	-	49,294
Transfers					519,317	(519,317)	-
Total general revenues and transfers					\$ 3,570,208	\$ (486,748)	\$ 3,083,460
Change in net position					\$ (407,843)	\$ (285,899)	\$ (693,742)
Net position - beginning					4,137,522	12,505,717	16,643,239
Net position - ending					\$ 3,729,679	\$ 12,219,818	\$ 15,949,497

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

Town of Richlands, Virginia
Balance Sheet
Governmental Fund
At June 30, 2021

General

ASSETS

Cash and cash equivalents	\$ 3,463,364
Investments	115,023
Receivables (net of allowance for uncollectibles):	
Taxes receivable	90,659
Accounts receivable	322,639
Due from other governmental units	98,101
Total assets	<u>\$ 4,089,786</u>

LIABILITIES

Accounts payable	\$ 165,936
Accrued liabilities	114,957
Unearned revenue	4,006,921
Total liabilities	<u>\$ 4,287,814</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property taxes	\$ 74,235
Unavailable revenue - prepaid taxes	37,701
Total deferred inflows of resources	<u>\$ 111,936</u>

FUND BALANCES

Restricted	\$ 217,752
Unassigned	(527,716)
Total fund balances	<u>\$ (309,964)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,089,786</u></u>

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

Town of Richlands, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
At 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 Fund	\$	(309,964)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,424,895	
Buildings and system	2,234,890	
Machinery and equipment	1,624,930	
Infrastructure	5,142,015	
Construction in progress	<u>4,950</u>	10,431,680

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

Unavailable revenue - property taxes		74,235
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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	\$ 1,139,445	
OPEB related items	<u>521,237</u>	1,660,682

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

Notes payable	\$ (637,323)	
Capital lease	(222,863)	
Accrued interest payable	(4,460)	
Compensated absences	(307,792)	
Net pension liability	(5,428,230)	
Net OPEB liability	<u>(1,152,748)</u>	(7,753,416)

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

Pension related items	\$ (74,111)	
OPEB related items	<u>(299,427)</u>	(373,538)

Net position of governmental activities	\$	<u><u>3,729,679</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Richlands, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2021

	<u>General</u>
REVENUES	
General property taxes	\$ 489,769
Other local taxes	2,378,573
Permits, privilege fees, and regulatory licenses	1,600
Fines and forfeitures	25,073
Revenue from the use of money and property	14,239
Charges for services	1,135,608
Miscellaneous	116,400
Recovered costs	284,236
Intergovernmental	1,500,110
Total revenues	<u>\$ 5,945,608</u>
EXPENDITURES	
Current:	
General government administration	\$ 968,909
Public safety	3,084,616
Public works	1,561,742
Parks, recreation, and cultural	282,590
Community development	145,102
Nondepartmental	677
Capital projects	1,108,553
Debt service:	
Principal retirement	80,731
Interest and other fiscal charges	18,239
Total expenditures	<u>\$ 7,251,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,305,551)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 519,317
Issuance of capital leases	233,657
Sale of capital assets	15,202
Total other financing sources (uses)	<u>\$ 768,176</u>
Net change in fund balances	\$ (537,375)
Fund balances - beginning	227,411
Fund balances - ending	<u><u>\$ (309,964)</u></u>

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

Town of Richlands, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
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 fund	\$	(537,375)
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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 capital outlays exceeded the depreciation expense in the current period.

Capital outlays	\$ 1,111,778	
Depreciation expense	(800,115)	311,663

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		2,616
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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.

Debt issued or incurred:

Issuance of notes payable	\$ (233,657)	
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Principal repayments:

Note Payable	62,677	
Capital lease	18,054	(152,926)

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.

Change in compensated absences	\$ 43,491	
Decrease (increase) in arbitrage rebate liability		
Change in accrued interest payable	(4,460)	
Change in pension related items	(5,903)	
Change in OPEB related items	(64,949)	(31,821)

Change in net position of governmental activities	\$	(407,843)
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The notes to the financial statements are an integral part of this statement.

Town of Richlands, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2021

	Enterprise Funds		
	Water and Sewer	Electric	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,255,511	\$ 2,235,039	\$ 4,490,550
Investments	169,611	264,463	434,074
Accounts receivable, net of allowances for uncollectibles	202,282	603,685	805,967
Other receivables	-	424,354	424,354
Due from other governmental units	942,670	-	942,670
Prepaid items	-	292,572	292,572
Total current assets	\$ 3,570,074	\$ 3,820,113	\$ 7,390,187
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 63,719	\$ 235,753	\$ 299,472
Total restricted assets	\$ 63,719	\$ 235,753	\$ 299,472
Capital assets:			
Utility plant and buildings in service	\$ 21,349,792	\$ 1,098,014	\$ 22,447,806
Machinery and equipment	1,060,838	1,914,703	2,975,541
Land	517,913	-	517,913
Accumulated depreciation	(14,258,339)	(2,177,118)	(16,435,457)
Construction in progress	876,620	-	876,620
Net capital assets	\$ 9,546,824	\$ 835,599	\$ 10,382,423
Total noncurrent assets	\$ 9,610,543	\$ 1,071,352	\$ 10,681,895
Total assets	\$ 13,180,617	\$ 4,891,465	\$ 18,072,082
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 383,492	\$ 143,760	\$ 527,252
Total deferred outflows of resources	\$ 383,492	\$ 143,760	\$ 527,252
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 85,717	\$ 438,580	\$ 524,297
Accrued wages	28,547	6,991	35,538
Customers' deposits	63,719	235,753	299,472
Accrued interest payable	2,505	-	2,505
Revenue bonds payable - current portion	44,844	-	44,844
GO and revenue bonds - current portion	87,195	-	87,195
Notes payable - current portion	788,527	-	788,527
Compensated absences - current portion	73,156	20,924	94,080
Total current liabilities	\$ 1,174,210	\$ 702,248	\$ 1,876,458
Noncurrent liabilities:			
Revenue bonds payable - net of current portion	\$ 426,014	\$ -	\$ 426,014
GO and revenue bonds - net of current portion	1,272,918	-	1,272,918
Compensated absences - net of current portion	24,385	6,975	31,360
Net pension liability	1,823,747	886,262	2,710,009
Total noncurrent liabilities	\$ 3,547,064	\$ 893,237	\$ 4,440,301
Total liabilities	\$ 4,721,274	\$ 1,595,485	\$ 6,316,759
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 20,093	\$ 42,664	\$ 62,757
Total deferred inflows of resources	\$ 20,093	\$ 42,664	\$ 62,757
NET POSITION			
Net investment in capital assets	\$ 6,927,326	\$ 835,599	\$ 7,762,925
Unrestricted	1,895,416	2,561,477	4,456,893
Total net position	\$ 8,822,742	\$ 3,397,076	\$ 12,219,818

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

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

	Enterprise Funds		
	<u>Water and Sewer</u>	<u>Electric</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 2,474,585	\$ 6,574,788	\$ 9,049,373
Contract work	5,286	35,687	40,973
Lab testing and septic treatment	9,499	-	9,499
Penalties and service charges	14,425	27,295	41,720
Connection fees	3,800	-	3,800
Utility pole permits	-	13,515	13,515
Miscellaneous	27,596	-	27,596
Total operating revenues	\$ 2,535,191	\$ 6,651,285	\$ 9,186,476
OPERATING EXPENSES			
Salaries, wages and fringes	\$ 1,395,411	\$ 420,046	\$ 1,815,457
Insurance	25,090	9,963	35,053
Audit and legal	15,320	11,428	26,748
Dues, memberships and training	3,529	14,014	17,543
Office supplies and postage	14,090	6,555	20,645
Telecommunications	4,666	240	4,906
Equipment and vehicle maintenance	32,340	13,157	45,497
Building repairs and maintenance	385	-	385
Supplies	185,658	32,187	217,845
Utilities	389,752	12,664	402,416
Heating oil/fuel	28,306	-	28,306
Miscellaneous	48,391	12,136	60,527
Plant parts and repairs	30,366	-	30,366
Maintenance, repairs and upgrades	14,882	140,097	154,979
Instrument calibration	1,145	-	1,145
Power purchased	-	5,388,802	5,388,802
Street lighting	-	1,640	1,640
Distribution	-	17,371	17,371
Outside sludge hauling	17,560	-	17,560
Engineering	3,713	-	3,713
Testing	12,351	2,670	15,021
Depreciation	535,820	93,585	629,405
Total operating expenses	\$ 2,758,775	\$ 6,176,555	\$ 8,935,330
Operating income (loss)	\$ (223,584)	\$ 474,730	\$ 251,146
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 3,128	\$ 1,412	\$ 4,540
Miscellaneous	268	165	433
Interest expense	(22,701)	-	(22,701)
Total nonoperating revenues (expenses)	\$ (19,305)	\$ 1,577	\$ (17,728)
Income (loss) before contributions	\$ (242,889)	\$ 476,307	\$ 233,418
Transfers out	\$ (273,036)	\$ (246,281)	\$ (519,317)
Change in net position	\$ (515,925)	\$ 230,026	\$ (285,899)
Total net position - beginning	9,338,667	3,167,050	12,505,717
Total net position - ending	\$ 8,822,742	\$ 3,397,076	\$ 12,219,818

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

Town of Richlands, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Fund		
	Water and Sewer	Electric	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,513,997	\$ 6,563,532	\$ 9,077,529
Payments to suppliers	(967,688)	(6,086,347)	(7,054,035)
Payments to and for employees	(1,294,914)	(378,859)	(1,673,773)
Net cash provided by (used for) operating activities	\$ 251,395	\$ 98,326	\$ 349,721
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	\$ (273,036)	\$ (246,281)	\$ (519,317)
Net cash provided (used) by noncapital financing activities	\$ (273,036)	\$ (246,281)	\$ (519,317)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (442,890)	\$ (8,094)	\$ (450,984)
Proceeds from the sale of surplus	268	165	433
Principal payments on general obligation and revenue bonds	(132,039)	-	(132,039)
Proceeds from notes payable	507,397	-	507,397
Principal payments on notes payable	(75,171)	-	(75,171)
Capital contributions	60,660	-	60,660
Interest expense	(20,196)	-	(20,196)
Net cash provided by (used for) capital and related financing activities	\$ (101,971)	\$ (7,929)	\$ (109,900)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 2,095	\$ 152	\$ 2,247
Net cash provided by (used for) investing activities	\$ 2,095	\$ 152	\$ 2,247
Net increase (decrease) in cash and cash equivalents	\$ (121,517)	\$ (155,732)	\$ (277,249)
Cash and cash equivalents - beginning (including restricted of \$295,937)	2,440,747	2,626,524	5,067,271
Cash and cash equivalents - ending (including restricted of \$299,472)	\$ 2,319,230	\$ 2,470,792	\$ 4,790,022
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (223,584)	\$ 474,730	\$ 251,146
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 535,820	\$ 93,585	\$ 629,405
(Increase) decrease in accounts receivable	(22,594)	(89,888)	(112,482)
(Increase) decrease in other receivables	-	(424,354)	(424,354)
(Increase) decrease in deferred outflows of resources	(44,253)	3,354	(40,899)
(Increase) decrease in prepaid items	-	(152)	(152)
Increase (decrease) in customer deposits	1,400	2,135	3,535
Increase (decrease) in accounts payable	(140,144)	1,083	(139,061)
Increase (decrease) in accrued wages	5,614	(1,940)	3,674
Increase (decrease) in compensated absences	1,694	(7,850)	(6,156)
Increase (decrease) in net pension liability	173,268	33,765	207,033
Increase (decrease) in deferred inflows of resources	(35,826)	13,858	(21,968)
Total adjustments	\$ 474,979	\$ (376,404)	\$ 98,575
Net cash provided by (used for) operating activities	\$ 251,395	\$ 98,326	\$ 349,721

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

TOWN OF RICHLANDS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AT JUNE 30, 2021

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town of Richlands, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial reporting entity:

The Town is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

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

C. Measurement focus, basis of accounting, and financial statement presentation:

Budgetary Comparison Schedules demonstrate compliance with the adopted budget, which is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service 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 Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

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

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

The Town reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

The Town reports the following major proprietary funds:

Proprietary funds account for operations that are financed in a manner similar to private business enterprises. The proprietary funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary funds consist of enterprise funds.

The Town operates a sewage collection and treatment system and a water distribution system. The activities of the systems are accounted for in the water and sewer fund.

The Town operates an electric distribution system. The activities of the system are accounted for in the electric fund.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. 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.

2. Prepaid Expenses

Prepaid expenses are for payments made by the Town in the current fiscal year to provide services occurring in the subsequent fiscal year.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All other outstanding balances between funds are "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

4. Allowance for Uncollectible Accounts

For the General Fund, the allowance amounted to approximately \$1,968 for property taxes, \$13,819 for garbage billings, and \$167,815 for EMS billings at June 30, 2021. For the Proprietary Funds, the allowance amounted to approximately \$28,247 for water and sewer billings and \$74,548 for electric billings at June 30, 2021.

5. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 31st. Taxes are payable in December of the following fiscal year. The Town bills and collects its own property taxes.

6. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

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

D. Assets, liabilities, deferred outflows/inflows of resources, 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. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Plant, equipment and system	10-50
Infrastructure	20-25
Machinery and equipment	3-20

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:
(Continued)

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. 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 (expense) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability 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 an inflow of resources (revenue) until that time. The Town 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 prepaid tax amounts and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid amounts are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

10. 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 premium or discount.

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.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:
(Continued)

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 Town Retirement Plan's and the additions to/deductions from the Town Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liability, 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 LODA OPEB Plan and the additions to/deductions from the VRS OPEB Plan's net fiduciary 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:
(Continued)

13. Net Position (Continued)

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

14. Concentration of Credit Risk

The Town has a credit risk associated with water, sewer, and electric fund accounts receivable due to geographic proximity of the Town's customers. The risk is mitigated by the large number of customers and relatively low individual balances.

15. Fund Balance

The following classifications 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 prepaids) 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 Town 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;
- 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

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

15. Fund Balance (Continued)

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

The Town establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. The Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Town Council can revise the appropriation for each fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units. The Town does not appropriate funds for the purchase of assets with debt financing unless the proceeds are received and disbursed directly by the Town. The Town does appropriate funds for the repayment of debt on financed assets.
8. 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, is not part of the Town's accounting system.
9. Expenditures related to finance assets in which the Town will appropriate funds for the repayment of debt; however, funds are not appropriated for payments made by third parties

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 2-Stewardship, Compliance, and Accountability:

B. Excess of expenditures over appropriations

For the year ending June 30, 2021, the Town reported non-cash expenditures of \$970,514 for the purchase of debt financed assets in the general fund. In the accompanying financials statements the general fund reports an unfavorable budget variance of \$951,238; however, when adjusted for the aforementioned non-cash items the variance is positive. Accordingly, expenditures as adjusted, do not exceed appropriations for the general fund. In addition, expenditures did not exceed appropriations in the water/sewer fund or the electric fund.

C. Deficit fund balance

At June 30, 2021, the General Fund reported a negative fund balance.

Note 3-Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. At year end, Deposits totaling \$333,033 were not reported in accordance with the Act. All other deposits are considered fully collateralized.

Investments:

Statutes authorize local governments 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).

The investments, as reported in the financial statements as of June 30, 2021, consist of non-negotiable certificates of deposit with original maturity dates of 12 and 13 months, respectively, and have a balance of \$221,333 and \$327,764 at year end.

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TOWN OF RICHLANDS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 4-Due from Other Governmental Units:

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

	General Fund	Water and Sewer Fund
<u>Local Government:</u>		
Tazewell County Public Service Authority	\$ -	\$ 942,670
<u>Commonwealth of Virginia:</u>		
Non-categorical aid	288	-
State sales tax	77,339	-
<u>Federal Government:</u>		
Categorical aid	20,474	-
 Total	 <u>\$ 98,101</u>	 <u>\$ 942,670</u>

Note 5-Long-Term Obligations:

Governmental Activities Obligations:

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

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Direct borrowing and placement:				
Notes payable	\$ 700,000	\$ -	\$ (62,677)	\$ 637,323
Capital lease	7,260	233,657	(18,054)	222,863
Compensated absences	351,283	219,971	(263,462)	307,792
Net pension liability	4,958,639	1,094,080	(624,489)	5,428,230
Net OPEB liability	1,037,717	712,501	(597,470)	1,152,748
 Total	 <u>\$ 7,054,899</u>	 <u>\$ 2,260,209</u>	 <u>\$ (1,566,152)</u>	 <u>\$ 7,748,956</u>

TOWN OF RICHLANDS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021**Note 5-Long-Term Obligations:****Governmental Activities Obligations: (Continued)**

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

Year Ending June 30,	Direct borrowing and placement	
	Principal	Interest
2022	\$ 64,421	\$ 15,290
2023	65,967	13,744
2024	67,550	12,161
2025	69,171	10,540
2026	70,831	8,880
2027-2030	299,383	18,106
Totals	\$ 637,323	\$ 78,721

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct borrowing and placement:						
Notes payable	2.40%	Mar-20	2030	\$ 700,000	\$ 637,323	\$ 64,421
Other obligations:						
Capital lease	2.74%	Dec-20	2024	132,867	\$ 122,073	\$ 33,323
Capital lease	2.12%	May-21	2024	100,790	100,790	33,603
Compensated absences	n/a	n/a	n/a	n/a	307,792	230,844
Net pension liability	n/a	n/a	n/a	n/a	5,428,230	-
Net OPEB liability	n/a	n/a	n/a	n/a	1,152,748	-
Total other obligations					\$ 7,111,633	\$ 297,770
Total long-term obligations					\$ 7,748,956	\$ 362,191

Long-term obligations are typically liquidated by the general fund.

In the event of default, outstanding amounts on notes payable may become due and payable at the option of the lender.

TOWN OF RICHLANDS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021Note 5-Long-Term Obligations: (Continued)Business-type Activities Obligations:

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

	<u>Balance July 1, 2020</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2021</u>
Direct borrowings and placements:				
GO and revenue bonds	\$ 1,447,308	\$ -	\$ (87,195)	\$ 1,360,113
Revenue bond	515,702	-	(44,844)	470,858
Notes payable	356,301	507,397	(75,171)	788,527
Compensated absences	131,596	92,541	(98,697)	125,440
Net pension liability	2,502,976	558,725	(351,692)	2,710,009
Total	<u>\$ 4,953,883</u>	<u>\$ 1,158,663</u>	<u>\$ (657,599)</u>	<u>\$ 5,454,947</u>

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

<u>Year Ending June 30,</u>	<u>Direct Borrowings and Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 920,566	\$ 29,570
2023	132,038	-
2024	132,038	-
2025	132,038	-
2026	132,038	-
2027-2031	660,191	-
2032-2036	429,228	-
2037	81,361	-
Totals	<u>\$ 2,619,498</u>	<u>\$ 29,570</u>

TOWN OF RICHLANDS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 5-Long-Term Obligations: (Continued)

Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bond:						
Wastewater Series 2010	0.00%	2010	2024	\$ 1,121,250	\$ 470,858	\$ 44,844
General Obligation and Revenue Bonds:						
Series 2000	0.00%	2000	2031	175,000	58,333	5,834
Series 2005	0.00%	2005	2037	2,002,799	1,068,160	66,760
Series 2006	0.00%	2006	2037	438,037	233,620	14,601
Note Payable	3.75%	2020	2022	1,200,000	788,527	788,527
Total Direct Borrowings and Placements					<u>\$ 2,619,498</u>	<u>\$ 920,566</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 125,440	\$ 94,080
Net Pension Liability	n/a	n/a	n/a	n/a	2,710,009	-
Total other obligations					<u>\$ 2,835,449</u>	<u>\$ 94,080</u>
Total long-term obligations					<u>\$ 5,454,947</u>	<u>\$ 1,014,646</u>

Revenue bonds are secured by revenue of the water/sewer fund.

The Town's general obligation bonds are subject to the State intercept program under which State funds may be withheld and remitted to bond holders upon the event of default.

In the event of default, outstanding amounts on bonds (all types) and notes payable may become due and payable at the option of the bondholder(s) and lender.

Other obligations of the electric and water/sewer fund are typically liquidated by those funds.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 6-Capital Lease:

The Town has entered into capital leases for the purchase of a Cisco Core Switches and Dell servers. These lease agreement 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. Total capital assets acquired through capital leases are as follows:

Cisco Core switches	\$ 132,867
Dell servers	104,014
Total capital assets	<u>\$ 236,881</u>
Accumulated Depreciation	(7,842)
Net Book Value of Capital Asset	<u><u>\$ 229,039</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2022	\$ 68,827
2023	80,877
2024	<u>80,877</u>
Total minimum lease payments	\$ 230,581
Less: amount representing interest	<u>(7,718)</u>
Present value of future minimum lease payments	<u><u>\$ 222,863</u></u>

Note 7-Pension Plan:***Plan Description***

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by a 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.

Note 7-Pension Plan: (Continued)

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 date 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 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.
- 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 and 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 7-Pension Plan: (Continued)***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.

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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	39
Inactive members:	
Vested inactive members	4
Non-vested inactive members	10
Active elsewhere in VRS	<u>8</u>
Total inactive members	22
Active members	<u>76</u>
Total covered employees	<u>137</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 7-Pension Plan: (Continued)

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 Town's contractually required employer contribution rate for the year ended June 30, 2021 was 22.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$676,426 and \$653,595 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 Town's net pension liability was measured as of June 30, 2020. 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.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 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 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)
AT JUNE 30, 2021

Note 7-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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:

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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 7-Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town'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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 7-Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

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%

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 7-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 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)
AT JUNE 30, 2021

Note 7-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 Town 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. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 14,176,841	\$ 6,715,226	\$ 7,461,615
Changes for the year:			
Service cost	\$ 299,881	\$ -	\$ 299,881
Interest	926,577	-	926,577
Differences between expected and actual experience	382,012	-	382,012
Contributions - employer	-	653,595	(653,595)
Contributions - employee	-	150,529	(150,529)
Net investment income	-	132,137	(132,137)
Benefit payments	(899,546)	(899,546)	-
Administrative expenses	-	(4,263)	4,263
Other changes	-	(152)	152
Net changes	\$ 708,924	\$ 32,300	\$ 676,624
Balances at June 30, 2020	\$ 14,885,765	\$ 6,747,526	\$ 8,138,239

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 7-Pension Plan: (Continued)***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (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%)
Town Net Pension Liability	\$ 10,003,696	\$ 8,138,239	\$ 6,584,104

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

For the year ended June 30, 2021, the Town recognized pension expense of \$826,495. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 504,554	\$ 55,407
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,634	38,634
Changes in assumptions	243,871	42,827
Net difference between projected and actual earnings on pension plan investments	203,212	-
Employer contributions subsequent to the measurement date	676,426	-
Total	\$ 1,666,697	\$ 136,868

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 7-Pension Plan: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

\$676,426 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal 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	\$ 193,041
2023	222,822
2024	260,094
2025	163,465
Thereafter	13,981

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.

Note 8-Line of Duty Act (LODA) Program:***Plan Description***

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Note 8-Line of Duty Act (LODA) Program: (Continued)

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

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$38,017 and \$37,406 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 8-Line of Duty Act (LODA) Program: (Continued)***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB***

At June 30, 2021, the entity reported a liability of \$1,152,748 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was 0.2752% as compared to 0.2892% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$102,902. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 122,366	\$ 157,156
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,639
Change in assumptions	308,599	71,834
Changes in proportionate share	52,255	68,798
Employer contributions subsequent to the measurement date	<u>38,017</u>	<u>-</u>
Total	\$ <u>521,237</u>	\$ <u>299,427</u>

Note 8-Line of Duty Act (LODA) Program: (Continued)***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)***

\$38,017 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA 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 LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 24,377
2023	24,680
2024	25,003
2025	25,098
2026	25,199
Thereafter	59,436

Actuarial Assumptions

The total LODA 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 CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.375%-4.75%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation*

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 8-Line of Duty Act (LODA) Program: (Continued)**Actuarial Assumptions: (Continued)**

Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety 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. Changes to the actuarial assumptions as a result of the experience study 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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 8-Line of Duty Act (LODA) Program: (Continued)***Net LODA OPEB Liability***

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the LODA Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	<u>4,333</u>
LODA Net OPEB Liability (Asset)	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they 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 participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 8-Line of Duty Act (LODA) Program: (Continued)***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate***

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current (2.21%)	1% Increase (3.21%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 1,368,296	\$ 1,152,748	\$ 990,272

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 952,784	\$ 1,152,748	\$ 1,414,298

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 9-Unearned Revenue:

Unearned 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. Unearned revenue totaling \$4,006,921 is comprised of the following:

Lease Revenue - Lease revenue proceeds received in advance totaled \$7,959 at year end.

Miscellaneous - Funding received in advance and carried over for use in the next fiscal year from Department of Transportation totaling \$1,283,781 and American Rescue Plan Act funds totaling \$2,715,181.

Note 10-Unavailable Revenue:

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 totaling \$111,936 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$74,235.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2021 but paid in advance by the taxpayers totaled \$37,701.

Note 11-Restricted Fund Balance/Net Position:

Fund balance and net position were restricted for the following purposes at year end:

<u>Purpose</u>	<u>Amount</u>
Big Creek payments	\$ 62,337
Public Safety Funds	48,527
Fire Program Funds	26,519
Restricted Donations	37,143
Asset Forfeiture/Policing Funds	43,226
	<hr/>
Total	\$ 217,752

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 12-Capital Assets:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,424,895	\$ -	\$ -	\$ 1,424,895
Construction in progress	265,091	91,919	(352,060)	4,950
Total capital assets not being depreciated	<u>\$ 1,689,986</u>	<u>\$ 91,919</u>	<u>\$ (352,060)</u>	<u>\$ 1,429,845</u>
Capital assets, being depreciated:				
Buildings and system	\$ 3,981,302	\$ 255,144	\$ -	\$ 4,236,446
Infrastructure	9,508,430	96,916	-	9,605,346
Machinery and equipment	7,244,499	1,019,859	-	8,264,358
Total capital assets being depreciated	<u>\$ 20,734,231</u>	<u>\$ 1,371,919</u>	<u>\$ -</u>	<u>\$ 22,106,150</u>
Accumulated depreciation:				
Buildings and system	\$ (1,866,442)	\$ (135,114)	\$ -	\$ (2,001,556)
Infrastructure	(4,026,249)	(437,082)	-	(4,463,331)
Machinery and equipment	(6,411,509)	(227,919)	-	(6,639,428)
Total accumulated depreciation	<u>\$ (12,304,200)</u>	<u>\$ (800,115)</u>	<u>\$ -</u>	<u>\$ (13,104,315)</u>
Total capital assets being depreciated, net	<u>\$ 8,430,031</u>	<u>\$ 571,804</u>	<u>\$ -</u>	<u>\$ 9,001,835</u>
Governmental activities capital assets, net	<u>\$ 10,120,017</u>	<u>\$ 663,723</u>	<u>\$ (352,060)</u>	<u>\$ 10,431,680</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 12-Capital Assets: (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 517,913	\$ -	\$ -	\$ 517,913
Construction in progress	456,320	420,300	-	876,620
Total capital assets not being depreciated	<u>\$ 974,233</u>	<u>420,300</u>	<u>\$ -</u>	<u>\$ 1,394,533</u>
Capital assets, being depreciated:				
Utility plant and buildings in service	\$ 22,447,806	\$ -	\$ -	\$ 22,447,806
Machinery and equipment	2,944,857	30,684	-	2,975,541
Total capital assets being depreciated	<u>\$ 25,392,663</u>	<u>\$ 30,684</u>	<u>\$ -</u>	<u>\$ 25,423,347</u>
Accumulated depreciation:				
Utility plant and buildings in service	\$ (13,898,771)	\$ (475,685)	\$ -	\$ (14,374,456)
Machinery and equipment	(1,907,281)	(153,720)	-	(2,061,001)
Total accumulated depreciation	<u>\$ (15,806,052)</u>	<u>\$ (629,405)</u>	<u>\$ -</u>	<u>\$ (16,435,457)</u>
Total capital assets being depreciated, net	<u>\$ 9,586,611</u>	<u>\$ (598,721)</u>	<u>\$ -</u>	<u>\$ 8,987,890</u>
Business-type activities capital assets, net	<u>\$ 10,560,844</u>	<u>\$ (178,421)</u>	<u>\$ -</u>	<u>\$ 10,382,423</u>

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

Governmental activities:

General government administration	\$ 53,127
Public safety	141,717
Public works	516,715
Parks and recreation	88,368
Community development	188
Total depreciation expense - governmental activities	<u>\$ 800,115</u>

Business-type activities:

Water and sewer	\$ 535,820
Electric	93,585
Total depreciation expense - business-type activities	<u>\$ 629,405</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 13-Interfund Activity:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 519,317	\$ -
Water and Sewer Fund	-	273,036
Electric Fund	-	246,281
Total	<u>\$ 519,317</u>	<u>\$ 519,317</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 one fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

There were no interfund obligations at June 30, 2021.

Note 14-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of property, general liability and auto insurance with the Virginia Risk Sharing Association (Pool). Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Pool contributions and assessments 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, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 15-Contingent Liabilities:

Grant funds are subject to audit by the funding agencies to determine compliance with various grant requirements. Should any expenditure be disallowed, they must be refunded to the granting agencies. Any liability for reimbursement, which may arise as the result of these audits is believed to be immaterial.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 16-Electric Power Agreement:

The Town is a participant in American Municipal Power-Ohio, Inc. (AMP-Ohio), a nonprofit corporation, organized to own and operate facilities for the generation, transmission, and distribution of electrical power. Other participants in AMP-Ohio are political subdivisions which operate electric systems in Ohio, Michigan, Pennsylvania, Virginia, and West Virginia. As a participant, the Town has agreed to purchase specified kilowatts of power at AMP-Ohio's incurred cost through December 31, 2057. In accordance with this agreement the Town remits funds to an escrow account for the payment of power bills.

Note 17-Pledged Revenues:

The Town has pledged future water and sewer customer revenues to repay water and wastewater revenue bonds. Proceeds from the bonds provided financing for the construction of the water and sewer systems.

Note 18-Electric Rate Stabilization Plan:

The Town entered into a rate stabilization plan with American Municipal Power, Inc. to reduce the effects of volatility in energy markets. As of June 30, 2021, the Town carried a balance of \$292,572 in an escrow account maintained for the Town's benefit. This amount has been reported in the financial statements as a prepaid item.

Note 19-Service Agreements:

On September 3, 2003, the Town and Tazewell County Public Service Authority (TCPSA) entered into an agreement to share the costs of construction and operation of a water transmission facility known as Kent's Ridge Road Project. The project was financed by two thirty year, interest-free loans from the Virginia Resources Authority (VRA). The loans are secured by a pledge of revenues from the Town's water and wastewater systems and by a pledge of the Town's full faith and credit. Also, County of Tazewell, Virginia has undertaken, to the extent permitted by law, a non-binding but moral obligation to pay such amounts as may be needed, with respect to the notes, for the payment of principal and interest pursuant to the terms of the agreement. The Town has recorded an amount due from the TCPSA of \$942,670 at year end for their share of debt service payments.

The Town has also entered into separate agreements with the TCPSA and Town of Cedar Bluff, Virginia to provide water treatment. The agreements allocate operating costs and the cost of construction based on usage (or an estimate thereof).

The Town; Town of Cedar Bluff, Virginia; and Tazewell County Public Service Authority (TCPSA) entered into an agreement dated March 15, 1989, whereby each of the parties would participate in the allocation of capacity and costs with respect to the design, construction, operation and maintenance of a regional wastewater treatment facility. The Town is responsible for the operation of the facility. The Town is also responsible for budgeting and financing subject to agreed upon procedures by the three participants. Monthly user charges are paid by the participants for their share of the cost of the project and are recognized as charges for services in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 19-Service Agreements: (Continued)

Payments received by the Town during the fiscal year for the aforementioned agreements are as follow:

Entity	Amounts
Town of Cedar Bluff	\$ 145,308
Tazewell County PSA	752,400
Tazewell County PSA - loan payments	60,660
Total	<u>\$ 958,368</u>

Note 20-Pandemic Funding and Subsequent Event:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, 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 Town 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.

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).

The Town received total CRF funding of \$343,665 from the County of Tazewell, Virginia. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the County of Tazewell, Virginia.

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 30, 2021, the Town 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 \$2,715,181 from the initial allocation are reported as unearned revenue as of June 30.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 21-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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 21-Upcoming Pronouncements: (Continued)

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

Town of Richlands, Virginia
General 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				
General property taxes	\$ 604,363	\$ 604,363	\$ 489,769	\$ (114,594)
Other local taxes	2,288,425	2,288,425	2,378,573	90,148
Permits, privilege fees, and regulatory licenses	1,250	1,250	1,600	350
Fines and forfeitures	45,000	45,000	25,073	(19,927)
Revenue from the use of money and property	4,500	4,500	14,239	9,739
Charges for services	1,169,875	1,169,875	1,135,608	(34,267)
Miscellaneous	38,500	38,500	116,400	77,900
Recovered costs	271,800	271,800	284,236	12,436
Intergovernmental	1,331,414	1,331,414	1,500,110	168,696
Total revenues	<u>\$ 5,755,127</u>	<u>\$ 5,755,127</u>	<u>\$ 5,945,608</u>	<u>\$ 190,481</u>
EXPENDITURES				
Current:				
General government administration	\$ 996,281	\$ 996,281	\$ 968,909	\$ 27,372
Public safety	3,125,036	3,125,036	3,084,616	40,420
Public works	1,679,490	1,679,490	1,561,742	117,748
Parks, recreation, and cultural	315,699	315,699	282,590	33,109
Community development	101,205	101,205	145,102	(43,897)
Nondepartmental	2,500	2,500	677	1,823
Capital projects and outlays	-	-	1,108,553	(1,108,553)
Debt service:				
Principal retirement	62,677	62,677	80,731	(18,054)
Interest and other fiscal charges	17,033	17,033	18,239	(1,206)
Total expenditures	<u>\$ 6,299,921</u>	<u>\$ 6,299,921</u>	<u>\$ 7,251,159</u>	<u>\$ (951,238)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (544,794)</u>	<u>\$ (544,794)</u>	<u>\$ (1,305,551)</u>	<u>\$ (760,757)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 570,628	\$ 570,628	\$ 519,317	\$ (51,311)
Issuance of capital leases	-	-	233,657	233,657
Sale of capital assets	-	-	15,202	15,202
Total other financing sources (uses)	<u>\$ 570,628</u>	<u>\$ 570,628</u>	<u>\$ 768,176</u>	<u>\$ 197,548</u>
Net change in fund balances	<u>\$ 25,834</u>	<u>\$ 25,834</u>	<u>\$ (537,375)</u>	<u>\$ (563,209)</u>
Fund balances - beginning	-	-	227,411	227,411
Fund balances - ending	<u><u>\$ 25,834</u></u>	<u><u>\$ 25,834</u></u>	<u><u>\$ (309,964)</u></u>	<u><u>\$ (335,798)</u></u>

Town of Richlands, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 299,881	\$ 261,942	\$ 243,691	\$ 254,948	\$ 248,209	\$ 233,974	\$ 228,999
Interest	926,577	894,632	868,052	856,598	794,150	790,952	759,699
Differences between expected and actual experience	382,012	228,801	(9,905)	(186,039)	367,567	(408,168)	-
Changes of assumptions	-	395,344	-	(156,273)	-	-	-
Benefit payments	(899,546)	(768,670)	(675,568)	(535,639)	(499,997)	(642,038)	(442,432)
Net change in total pension liability	\$ 708,924	\$ 1,012,049	\$ 426,270	\$ 233,595	\$ 909,929	\$ (25,330)	\$ 546,266
Total pension liability - beginning	14,176,841	13,164,792	12,738,522	12,504,927	11,594,998	11,620,328	11,074,062
Total pension liability - ending (a)	\$ 14,885,765	\$ 14,176,841	\$ 13,164,792	\$ 12,738,522	\$ 12,504,927	\$ 11,594,998	\$ 11,620,328
Plan fiduciary net position							
Contributions - employer	\$ 653,595	\$ 601,271	\$ 573,053	\$ 548,986	\$ 592,036	\$ 556,985	\$ 499,158
Contributions - employee	150,529	139,528	132,681	128,023	126,916	120,115	119,403
Net investment income	132,137	421,049	434,183	633,234	92,686	205,782	599,476
Benefit payments	(899,546)	(768,670)	(675,568)	(535,639)	(499,997)	(642,038)	(442,432)
Administrative charges	(4,263)	(4,044)	(3,629)	(3,447)	(2,781)	(2,752)	(3,098)
Other	(152)	(268)	(393)	(573)	(37)	(46)	32
Net change in plan fiduciary net position	\$ 32,300	\$ 388,866	\$ 460,327	\$ 770,584	\$ 308,823	\$ 238,046	\$ 772,539
Plan fiduciary net position - beginning	6,715,226	6,326,360	5,866,033	5,095,449	4,786,626	4,548,580	3,776,041
Plan fiduciary net position - ending (b)	\$ 6,747,526	\$ 6,715,226	\$ 6,326,360	\$ 5,866,033	\$ 5,095,449	\$ 4,786,626	\$ 4,548,580
Town's net pension liability - ending (a) - (b)	\$ 8,138,239	\$ 7,461,615	\$ 6,838,432	\$ 6,872,489	\$ 7,409,478	\$ 6,808,372	\$ 7,071,748
Plan fiduciary net position as a percentage of the total pension liability	45.33%	47.37%	48.06%	46.05%	40.75%	41.28%	39.14%
Covered payroll							
	\$ 3,307,974	\$ 2,893,205	\$ 2,726,708	\$ 2,611,141	\$ 2,594,810	\$ 2,433,045	\$ 2,391,408
Town's net pension liability as a percentage of covered payroll	246.02%	257.90%	250.79%	263.20%	285.55%	279.83%	295.71%

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.

Town of Richlands, Virginia
Schedule of Employer Contributions
Pension Plan

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

Date	Contributions in Relation to			Employer's		Contributions as a % of
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered Employee Payroll (4)	Covered Employee Payroll (5)	
2021	\$ 676,426	\$ 676,426	\$ -	\$ 3,082,539		21.94%
2020	653,595	653,595	-	3,307,974		19.76%
2019	601,271	601,271	-	2,893,205		20.78%
2018	573,053	573,053	-	2,726,708		21.02%
2017	548,986	548,986	-	2,611,141		21.02%
2016	592,036	592,036	-	2,594,810		22.82%
2015	556,985	556,985	-	2,433,045		22.89%
2014	499,326	499,326	-	2,391,408		20.88%
2013	496,596	496,596	-	2,378,333		20.88%
2012	554,563	554,563	-	2,349,843		23.60%

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed each year.

Town of Richlands, Virginia
Notes to Required Supplementary Information
Pension 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:

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%

Town of Richlands, Virginia
Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2020	0.2752% \$	1,152,748 \$	1,479,088	77.94%	1.02%
2019	0.2892%	1,037,717	1,426,561	72.74%	0.79%
2018	0.2823%	885,000	1,369,285	64.63%	0.60%
2017	0.2630%	691,000	1,312,173	52.66%	1.30%

*

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Town of Richlands, Virginia
Schedule of Employer Contributions
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2021	\$ 38,017	\$ 38,017	\$ -	\$ 1,482,204	2.56%
2020	37,406	37,406	-	1,479,088	2.53%
2019	38,817	38,817	-	1,426,561	2.72%
2018	30,071	30,071	-	1,369,285	2.20%
2017	28,369	28,369	-	1,312,173	2.16%

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions. Schedule is intended to show information for 10 years. Information is only available for years after FY 2017. However, additional years will be included as they become available.

Town of Richlands, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
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 results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety 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%

Other Supplementary Information

Supporting Schedules

Town of Richlands, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<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	\$ 528,502	\$ 528,502	\$ 429,113	\$ (99,389)
Real and personal public service corporation taxes	35,361	35,361	36,929	1,568
Mobile home taxes	27,500	27,500	13,691	(13,809)
Penalties and Interest	13,000	13,000	10,036	(2,964)
Total general property taxes	<u>\$ 604,363</u>	<u>\$ 604,363</u>	<u>\$ 489,769</u>	<u>\$ (114,594)</u>
Other local taxes:				
Local sales and use taxes	\$ 390,000	\$ 390,000	\$ 454,785	\$ 64,785
Consumers utility tax	236,400	236,400	230,765	(5,635)
Local consumption tax	22,000	22,000	19,800	(2,200)
Business license taxes	450,000	450,000	526,937	76,937
Motor vehicle licenses	64,000	64,000	32,630	(31,370)
Bank stock taxes	212,000	212,000	200,998	(11,002)
Tobacco taxes	74,025	74,025	75,882	1,857
Meals taxes	840,000	840,000	836,776	(3,224)
Total other local taxes	<u>\$ 2,288,425</u>	<u>\$ 2,288,425</u>	<u>\$ 2,378,573</u>	<u>\$ 90,148</u>
Permits, privilege fees, and regulatory licenses:				
Zoning permits	\$ 1,250	\$ 1,250	\$ 1,600	\$ 350
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,250</u>	<u>\$ 1,250</u>	<u>\$ 1,600</u>	<u>\$ 350</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 40,000	\$ 40,000	\$ 21,825	\$ (18,175)
E-citation fees	5,000	5,000	3,248	(1,752)
Total fines and forfeitures	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 25,073</u>	<u>\$ (19,927)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 4,500	\$ 4,500	\$ 10,419	\$ 5,919
Revenue from use of property	-	-	3,820	3,820
Total revenue from use of money and property	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 14,239</u>	<u>\$ 9,739</u>

Town of Richlands, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<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)				
Revenue from local sources: (continued)				
Charges for services:				
Contract work - Streets	\$ -	\$ -	\$ 8,341	\$ 8,341
Rescue squad billings	600,000	600,000	608,318	8,318
Swimming pool fees	7,400	7,400	18,933	11,533
Concession collections	18,750	18,750	13,733	(5,017)
Basketball fees	5,000	5,000	5,165	165
Indoor tennis fees	-	-	6	6
Outdoor tennis fees	75	75	583	508
Membership fees	-	-	9,071	9,071
Room rental	2,600	2,600	2,106	(494)
Miscellaneous recreation fees	7,750	7,750	4,750	(3,000)
Convenience fees	12,000	12,000	5,421	(6,579)
Garbage collections	516,300	516,300	459,181	(57,119)
Total charges for services	\$ 1,169,875	\$ 1,169,875	\$ 1,135,608	\$ (34,267)
Miscellaneous:				
Miscellaneous	\$ 9,000	\$ 9,000	\$ 27,299	\$ 18,299
Downtown and community development	5,000	5,000	53,407	48,407
Gifts and donations	2,500	2,500	15,000	12,500
Gifts and donations - Fire	2,500	2,500	6,539	4,039
Gifts and donations - Recreation	2,500	2,500	600	(1,900)
Gifts and donations - Police	15,000	15,000	10,843	(4,157)
Gifts and donations - Rescue	2,000	2,000	2,712	712
Total miscellaneous	\$ 38,500	\$ 38,500	\$ 116,400	\$ 77,900
Recovered costs:				
County of Tazewell - fire program	\$ 270,000	\$ 270,000	\$ 260,000	\$ (10,000)
Returned check fees	1,800	1,800	480	(1,320)
Restitution	-	-	23,756	23,756
Total recovered costs	\$ 271,800	\$ 271,800	\$ 284,236	\$ 12,436
Total revenue from local sources	\$ 4,423,713	\$ 4,423,713	\$ 4,445,498	\$ 21,785
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,500	\$ 2,500	\$ 1,695	\$ (805)
Game of skill	-	-	3,168	3,168
Motor vehicles carrier's tax	2,000	2,000	4,666	2,666
Railroad rolling stock tax	-	-	9,765	9,765
Total noncategorical aid	\$ 4,500	\$ 4,500	\$ 19,294	\$ 14,794

Town of Richlands, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<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)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 2,950	\$ 2,950	\$ 2,657	\$ (293)
Community impact grant	-	-	30,000	30,000
Street maintenance	975,715	975,715	786,384	(189,331)
Law enforcement grant	143,108	143,108	162,139	19,031
Drug enforcement	76,087	76,087	-	(76,087)
EMS grants	18,000	18,000	9,700	(8,300)
Fire grants	21,300	21,300	22,192	892
Other state revenue	14,500	14,500	4,679	(9,821)
Total categorical aid	<u>\$ 1,251,660</u>	<u>\$ 1,251,660</u>	<u>\$ 1,017,751</u>	<u>\$ (233,909)</u>
Total categorical aid	<u>\$ 1,251,660</u>	<u>\$ 1,251,660</u>	<u>\$ 1,017,751</u>	<u>\$ (233,909)</u>
Total revenue from the Commonwealth	<u>\$ 1,256,160</u>	<u>\$ 1,256,160</u>	<u>\$ 1,037,045</u>	<u>\$ (219,115)</u>
Revenue from the federal government:				
Categorical aid:				
COVID-19 Coronavirus relief funds	\$ -	\$ -	\$ 343,665	\$ 343,665
HHS provider relief funds	-	-	38,064	38,064
Police grants	57,254	57,254	70,973	13,719
High intensity drug trafficking areas grant	18,000	18,000	10,363	(7,637)
Total categorical aid	<u>\$ 75,254</u>	<u>\$ 75,254</u>	<u>\$ 463,065</u>	<u>\$ 387,811</u>
Total revenue from the federal government	<u>\$ 75,254</u>	<u>\$ 75,254</u>	<u>\$ 463,065</u>	<u>\$ 387,811</u>
Total General Fund	<u><u>\$ 5,755,127</u></u>	<u><u>\$ 5,755,127</u></u>	<u><u>\$ 5,945,608</u></u>	<u><u>\$ 190,481</u></u>

Town of Richlands, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Function and Department Expenditures</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:				
General and financial administration:				
Town Council	\$ 66,985	\$ 66,985	\$ 82,766	\$ (15,781)
Administration	816,222	816,222	776,540	39,682
Information technology	113,074	113,074	109,603	3,471
Total general government administration	<u>\$ 996,281</u>	<u>\$ 996,281</u>	<u>\$ 968,909</u>	<u>\$ 27,372</u>
Total general government administration	<u>\$ 996,281</u>	<u>\$ 996,281</u>	<u>\$ 968,909</u>	<u>\$ 27,372</u>
 Public safety:				
Law enforcement and traffic control:				
Police grants	\$ 57,254	\$ 57,254	\$ 124,214	\$ (66,960)
Drug task force	94,087	94,087	37,920	56,167
Police department	2,009,588	2,009,588	1,938,008	71,580
Asset forfeiture	-	-	1,392	(1,392)
Total law enforcement and traffic control	<u>\$ 2,160,929</u>	<u>\$ 2,160,929</u>	<u>\$ 2,101,534</u>	<u>\$ 59,395</u>
 Fire and rescue services:				
Fire Department	\$ 156,542	\$ 156,542	\$ 143,204	\$ 13,338
Rescue Squad	807,565	807,565	839,878	(32,313)
Total fire and rescue services	<u>\$ 964,107</u>	<u>\$ 964,107</u>	<u>\$ 983,082</u>	<u>\$ (18,975)</u>
Total public safety	<u>\$ 3,125,036</u>	<u>\$ 3,125,036</u>	<u>\$ 3,084,616</u>	<u>\$ 40,420</u>
 Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,191,301	\$ 1,191,301	\$ 1,093,880	\$ 97,421
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 1,191,301</u>	<u>\$ 1,191,301</u>	<u>\$ 1,093,880</u>	<u>\$ 97,421</u>
 Sanitation and waste removal:				
Refuse collection and disposal	\$ 488,189	\$ 488,189	\$ 467,862	\$ 20,327
Total sanitation and waste removal	<u>\$ 488,189</u>	<u>\$ 488,189</u>	<u>\$ 467,862</u>	<u>\$ 20,327</u>
Total public works	<u>\$ 1,679,490</u>	<u>\$ 1,679,490</u>	<u>\$ 1,561,742</u>	<u>\$ 117,748</u>
 Parks, recreation, and cultural:				
Cultural enrichment:				
Recreation	\$ 282,549	\$ 282,549	\$ 261,002	\$ 21,547
Total cultural enrichment	<u>\$ 282,549</u>	<u>\$ 282,549</u>	<u>\$ 261,002</u>	<u>\$ 21,547</u>
 Library:				
Library	\$ 33,150	\$ 33,150	\$ 21,588	\$ 11,562
Total library	<u>\$ 33,150</u>	<u>\$ 33,150</u>	<u>\$ 21,588</u>	<u>\$ 11,562</u>
Total parks, recreation, and cultural	<u>\$ 315,699</u>	<u>\$ 315,699</u>	<u>\$ 282,590</u>	<u>\$ 33,109</u>

Town of Richlands, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Community development:				
Planning and community development:				
Downtown activities	\$ 101,205	\$ 101,205	\$ 145,102	\$ (43,897)
Total planning and community development	\$ 101,205	\$ 101,205	\$ 145,102	\$ (43,897)
Total community development	\$ 101,205	\$ 101,205	\$ 145,102	\$ (43,897)
Nondepartmental:				
Nondepartmental	\$ 2,500	\$ 2,500	\$ 677	\$ 1,823
Total nondepartmental	\$ 2,500	\$ 2,500	\$ 677	\$ 1,823
Capital projects/outlays:				
Capital projects and capital outlays	\$ -	\$ -	\$ 1,108,553	\$ (1,108,553)
Total capital projects	\$ -	\$ -	\$ 1,108,553	\$ (1,108,553)
Debt service:				
Principal retirement	\$ 62,677	\$ 62,677	\$ 80,731	\$ (18,054)
Interest and other fiscal charges	17,033	17,033	18,239	(1,206)
Total debt service	\$ 79,710	\$ 79,710	\$ 98,970	\$ (19,260)
Total General Fund	\$ 6,299,921	\$ 6,299,921	\$ 7,251,159	\$ (951,238)

Statistical Information

Table 1

Town of Richlands, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government		Parks, Recreation, and Cultural			Interest on Long-Term Debt		Water and Sewer		Electric	Total
	Administration	Public Safety	Public Works	Recreation, and Cultural	Community Development	Term Debt	Sewer				
2011-12	270,119	2,688,745	1,636,116	382,314	38,246	11,921	2,259,778	5,227,037	12,514,276		
2012-13	290,591	2,838,354	1,551,236	391,472	129,783	9,285	2,282,333	5,291,893	12,784,947		
2013-14	285,960	2,863,825	1,500,829	354,456	58,493	7,164	2,392,826	6,743,677	14,207,230		
2014-15	269,723	2,645,744	1,595,057	343,926	52,705	4,949	2,408,886	6,094,861	13,415,851		
2015-16	292,353	2,749,662	1,719,756	379,405	27,499	2,628	2,465,129	6,005,247	13,641,679		
2016-17	333,731	2,828,938	1,773,908	377,855	25,850	3,873	2,489,894	6,091,102	13,925,151		
2017-18	235,766	2,795,730	2,200,116	403,439	30,235	226	2,719,717	6,780,758	15,165,987		
2018-19	343,375	2,764,887	1,802,564	491,984	53,940	-	2,790,540	6,486,240	14,733,530		
2019-20	470,072	3,030,837	1,960,923	464,361	88,556	-	3,024,508	6,655,149	15,694,406		
2020-21	1,258,099	2,851,043	1,963,818	350,199	145,290	22,699	2,781,476	6,176,555	15,549,179		

Table 2

Town of Richlands, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	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		
2011-12	9,278,334	1,331,617	245,517	434,748	1,751,238	17,868	124,600	4,081	13,188,003	
2012-13	9,672,614	1,778,186	93,941	464,070	1,848,254	16,874	364,230	13,685	14,251,854	
2013-14	10,035,089	1,280,498	4,607,782	469,162	1,941,856	14,050	167,513	4,057	18,520,007	
2014-15	9,550,616	980,826	31,432	478,340	2,035,854	13,880	130,668	16,754	13,238,370	
2015-16	9,066,108	1,319,735	1,225	467,740	2,014,265	14,016	170,664	22,046	13,075,799	
2016-17	9,416,956	1,105,238	33,838	485,587	1,961,647	13,769	103,080	15,893	13,136,008	
2017-18	10,185,432	1,458,570	364,500	538,056	2,044,120	16,787	61,537	4,954	14,673,956	
2018-19	10,813,722	1,048,098	-	497,664	2,207,338	22,729	104,766	15,515	14,709,832	
2019-20	10,307,589	1,157,222	88,697	485,528	2,109,952	24,087	96,128	15,358	14,284,561	
2020-21	10,321,161	1,450,816	-	492,385	2,378,573	18,779	144,429	49,294	14,855,437	

Table 3

Town of Richlands, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (1)
2011-12	267,218	2,529,280	1,388,996	340,314	38,246	-	86,085	4,650,139
2012-13	254,595	2,639,835	1,297,287	349,064	129,783	-	55,364	4,725,928
2013-14	263,515	2,623,164	1,219,929	310,872	58,493	-	55,364	4,531,337
2014-15	267,560	2,535,244	1,311,842	300,353	52,705	-	55,365	4,523,069
2015-16	280,546	2,681,036	1,367,609	341,942	27,499	113,910	95,376	4,907,918
2016-17	316,937	2,631,827	1,226,139	323,389	25,850	-	92,806	4,616,948
2017-18	285,390	2,704,981	1,883,504	356,127	30,235	-	38,681	5,298,918
2018-19	295,268	2,806,069	1,483,770	462,720	54,309	-	7,260	5,109,396
2019-20	350,447	2,998,785	1,512,717	343,549	88,556	-	7,260	5,301,314
2020-21	968,909	3,084,616	1,561,742	282,590	145,102	677	98,970	6,142,606

(1) Excludes Capital Projects.

Table 4

Town of Richlands, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the			Recovered Costs	Inter-governmental	Total
					Use of Money and Property	Charges for Services	Miscellaneous			
2011-12	433,863	1,751,238	2,090	50,562	11,853	1,190,198	117,765	140,780	1,373,185	5,071,534
2012-13	458,103	1,848,254	1,715	62,675	8,747	1,142,404	351,811	62,726	1,856,074	5,792,509
2013-14	460,876	1,941,856	1,270	237,281	8,938	1,116,902	158,987	63,189	1,319,989	5,309,288
2014-15	481,056	2,035,854	1,755	99,052	9,139	1,072,943	126,508	139,441	1,029,012	4,994,760
2015-16	467,433	2,014,265	1,280	107,308	9,238	1,122,305	164,755	73,104	1,343,006	5,302,694
2016-17	484,317	1,961,647	1,290	93,918	7,985	965,461	101,516	77,446	1,144,891	4,838,471
2017-18	558,985	2,044,120	1,265	66,354	8,219	1,015,274	59,575	82,917	1,818,102	5,654,811
2018-19	466,610	2,207,338	1,145	49,339	10,125	1,240,329	102,805	89,681	1,063,613	5,230,985
2019-20	499,413	2,109,952	1,295	38,418	13,351	1,061,344	94,127	104,752	1,172,580	5,095,232
2020-21	489,769	2,378,573	1,600	25,073	14,239	1,135,608	116,400	284,236	1,500,110	5,945,608

Table 5

Town of Richlands, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2011-12	424,866	392,515	92.39%	24,079	416,594	98.05%
2012-13	457,827	434,546	94.91%	18,364	452,910	98.93%
2013-14	458,280	431,776	94.22%	22,171	453,947	99.05%
2014-15	453,872	431,469	95.06%	28,133	459,602	101.26%
2015-16	455,304	426,994	93.78%	21,212	448,206	98.44%
2016-17	458,300	428,053	93.40%	27,776	455,829	99.46%
2017-18	469,457	452,063	96.29%	60,038	512,101	109.08%
2018-19	463,375	381,222	82.27%	46,711	427,933	92.35%
2019-20	465,547	454,496	97.63%	27,445	481,941	103.52%
2020-21	467,391	452,241	96.76%	27,492	479,733	102.64%

(1) Exclusive of penalties and interest.

(2) Delinquent taxes include only amounts that have been delinquent less than three years.

Table 6

**Town of Richlands, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Estate/ Mobile Homes	Public Service Corporation	Total
2011-12	254,672,500	10,460,117	265,132,617
2012-13	274,891,300	11,250,521	286,141,821
2013-14	274,606,600	11,818,369	286,424,969
2014-15	275,127,700	10,719,704	285,847,404
2015-16	275,640,700	11,200,407	286,841,107
2016-17	276,450,600	12,692,299	289,142,899
2017-18	276,560,400	19,530,975	296,091,375
2018-19	271,870,300	20,337,852	292,208,152
2019-20	271,417,800	22,100,928	293,518,728
2020-21	271,804,900	23,053,429	294,858,329

Table 7

**Town of Richlands, Virginia
Property Tax Rates
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Real Estate (1)</u>
2011-12	0.16
2012-13	0.16
2013-14	0.16
2014-15	0.16
2015-16	0.16
2016-17	0.16
2017-18	0.16
2018-19	0.16
2019-20	0.16
2020-21	0.16

(1) Per \$100 of assessed value.

Table 8

Town of Richlands, 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)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011-12	5,823	265,133	3,133,236	1.18%	538
2012-13	5,823	286,142	2,714,671	0.95%	466
2013-14	5,823	286,425	2,288,371	0.80%	393
2014-15	5,823	285,847	1,849,899	0.65%	318
2015-16	5,823	286,841	1,762,704	0.61%	303
2016-17	5,823	289,143	1,675,511	0.58%	288
2017-18	5,823	296,091	1,588,315	0.54%	273
2018-19	5,265	292,208	1,501,121	0.51%	285
2019-20	5,265	293,519	1,447,308	0.49%	275
2020-21	5,261	294,858	1,360,113	0.46%	259

(1) U.S. Census Bureau.

(2) Includes all long-term general obligation bonded debt and bonded anticipation notes.
Excludes revenue bonds, notes payable, capital leases, and compensated absences.

Table 9

Town of Richlands, Virginia
Computation of Legal Debt Margin
At June 30, 2021

Total assessed value of taxed real property	\$ 294,858,329
Debt limit - 10 percent of total assessed value	29,485,833
Amount of debt applicable to debt limit	<u>(1,360,113)</u>
Legal debt margin	<u>\$ 28,125,720</u>

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of the Town Council
Town of Richlands, Virginia
Richlands, 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, and each major fund of the Town of Richlands, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Richlands, Virginia's basic financial statements and have issued our report thereon dated September 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Richlands, 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 Town of Richlands, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Richlands, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be material weakness.

Compliance and Other Matters

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

Town of Richlands, Virginia's Response to Findings

Town of Richlands, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Richlands, 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, Farmer, Cox Associates

Blacksburg, Virginia
September 24, 2021

Town of Richlands, Virginia
Schedule of Findings and Responses
For the 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?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Section II - Financial Statement Findings

2021-001

(Material Weakness)

Criteria:	Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required a few material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	During the fiscal year, the finance director left and the auditee is small and does not have staff with significant experience in maintaining and preparing financial statements in accordance with current reporting standards. The former finance director assisted the Town remotely with the year-end closing process.
Effect of Condition:	There is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Town's internal controls over financial reporting.
Recommendation:	Staff and external assistant accountant(s) should review the current year adjusting entries and consider same during the next fiscal year close.
Managements' Response:	Management will consider the recommendation(s) and determine an appropriate course of action.