

TOWN OF TAZEWELL, VIRGINIA



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022

TOWN OF TAZEWELL, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF TAZEWELL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

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INTRODUCTORY SECTION

TOWN OF TAZEWELL, VIRGINIA

TOWN COUNCIL

Michael Hoops, Mayor
Dr. Terry Mullins, Vice Mayor
Joe Beasley
Dr. Chris Brown
Dr. Glenn Catron
Emily Davis
David Fox

TOWN INDUSTRIAL/ECONOMIC DEVELOPMENT AUTHORITY BOARD

Kim Santolla, Chair
Nancy Brooks
Zach Cline
Zachary Hash
Derek Pridgen
Chris Wearmouth
Susan Whittaker

OTHER OFFICIALS

Todd Day..... Town Manager
Leeanne Billings Treasurer
Gillespie, Hart, Altizer & Whitesell, PC Town Attorney

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principles

As described in Note 23 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 22 to the financial statements, in 2022, the Town restated beginning balances to report the IDA fund as a business-type activity. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

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

Required Supplementary Information

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, on our consideration of Town of Tazewell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Tazewell, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Tazewell, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 3, 2022

Basic Financial Statements

Town of Tazewell, Virginia
Statement of Net Position
At June 30, 2022

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 1,247,069	\$ 1,723,908	\$ 2,970,977
Investments	1,516,099	-	1,516,099
Receivables (net of allowance for uncollectibles):			
Taxes receivable	113,142	-	113,142
Accounts receivable	239,317	401,767	641,084
EMS and fire receivable	169,128	-	169,128
Due from other governmental units	3,157	8,534	11,691
Inventory/investment held for resale	-	302,430	302,430
Prepaid items	13,846	3,046	16,892
Net pension asset	427,412	141,244	568,656
Capital assets (net of accumulated depreciation/amortization):			
Land	2,018,576	422,450	2,441,026
Buildings and improvements	1,484,213	-	1,484,213
Vehicles	617,933	-	617,933
Equipment, furniture, and fixtures	643,106	76,464	719,570
Infrastructure/utility plant and buildings in service	3,478,681	7,582,844	11,061,525
Construction in progress	110,270	913,503	1,023,773
Total assets	\$ 12,081,949	\$ 11,576,190	\$ 23,658,139
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 358,220	\$ 121,930	\$ 480,150
OPEB related items	697,647	44,865	742,512
Total deferred outflows of resources	\$ 1,055,867	\$ 166,795	\$ 1,222,662
LIABILITIES			
Accounts payable	\$ 170,195	\$ 308,888	\$ 479,083
Accrued liabilities	136,684	37,437	174,121
Customers' deposits	-	149,370	149,370
Accrued interest payable	-	10,131	10,131
Amount due to Tazewell PSA	-	422,723	422,723
Unearned revenue	1,579,719	994,816	2,574,535
Long-term liabilities:			
Due within one year	150,861	312,434	463,295
Due in more than one year	2,481,447	4,038,562	6,520,009
Total liabilities	\$ 4,518,906	\$ 6,274,361	\$ 10,793,267
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - prepaid taxes	\$ 27,987	\$ -	\$ 27,987
Pension related items	746,114	250,977	997,091
OPEB related items	685,949	198,803	884,752
Total deferred inflows of resources	\$ 1,460,050	\$ 449,780	\$ 1,909,830
NET POSITION			
Net investment in capital assets	\$ 8,291,507	\$ 4,753,522	\$ 13,045,029
Restricted	497,769	141,244	639,013
Unrestricted (deficit)	(1,630,416)	124,078	(1,506,338)
Total net position	\$ 7,158,860	\$ 5,018,844	\$ 12,177,704

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 721,159	\$ -	\$ 59,880	\$ -	\$ (661,279)	\$ -	\$ (661,279)
Public safety	3,558,755	1,574,096	621,569	50,000	(1,313,090)	-	(1,313,090)
Public works	1,758,532	438,420	1,166,877	-	(153,235)	-	(153,235)
Health and welfare	-	-	-	-	-	-	-
Parks, recreation, and cultural	531,001	70,782	48,911	-	(411,308)	-	(411,308)
Community development	123,449	-	30,716	-	(92,733)	-	(92,733)
Interest on long-term debt	4,608	-	-	-	(4,608)	-	(4,608)
Total governmental activities	\$ 6,697,504	\$ 2,083,298	\$ 1,927,953	\$ 50,000	\$ (2,636,253)	\$ -	\$ (2,636,253)
Business-type activities:							
Water and sewer fund	\$ 3,101,464	\$ 3,334,368	\$ 35,000	\$ 18,924	\$ -	\$ 286,828	\$ 286,828
IDA fund	491,584	-	319,467	-	-	(172,117)	(172,117)
Total business-type activities	\$ 3,593,048	\$ 3,334,368	\$ 354,467	\$ 18,924	\$ -	\$ 114,711	\$ 114,711
Total primary government	\$ 10,290,552	\$ 5,417,666	\$ 2,282,420	\$ 68,924	\$ (2,636,253)	\$ 114,711	\$ (2,521,542)
General revenues:							
General property taxes	\$ 995,743	\$ -	\$ -	\$ -	\$ 995,743	\$ -	\$ 995,743
Other local taxes:							
Local sales and use taxes	327,155	-	-	-	327,155	-	327,155
Consumers' utility taxes	53,375	-	-	-	53,375	-	53,375
Business license taxes	315,821	-	-	-	315,821	-	315,821
Motor vehicle licenses	69,875	-	-	-	69,875	-	69,875
Bank stock tax	198,647	-	-	-	198,647	-	198,647
Cigarette Tax	246,000	-	-	-	246,000	-	246,000
Meals taxes	959,240	-	-	-	959,240	-	959,240
Other local taxes	49,219	-	-	-	49,219	-	49,219
Unrestricted revenues from use of money and property	12,407	-	-	-	12,407	21,953	34,360
Miscellaneous	195,101	-	-	-	195,101	1,808	196,909
Grants and contributions not restricted to specific programs	78,541	-	-	-	78,541	-	78,541
Transfers	(246,696)	-	-	-	(246,696)	246,696	-
Total general revenues and transfers	\$ 3,254,428	\$ 270,457	\$ 3,524,885		\$ 3,254,428	\$ 270,457	\$ 3,524,885
Change in net position	\$ 618,175	\$ 385,168	\$ 1,003,343		\$ 618,175	\$ 385,168	\$ 1,003,343
Net position - beginning, as restated	6,540,685	4,633,676	11,174,361		6,540,685	4,633,676	11,174,361
Net position - ending	\$ 7,158,860	\$ 5,018,844	\$ 12,177,704		\$ 7,158,860	\$ 5,018,844	\$ 12,177,704

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

Town of Tazewell, Virginia
Balance Sheet
Governmental Fund
At June 30, 2022

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,247,069
Investments	1,516,099
Receivables (net of allowance for uncollectibles):	
Taxes receivable	113,142
Accounts receivable	239,317
EMS and fire receivable	169,128
Due from other governmental units	3,157
Prepaid items	13,846
Total assets	<u>\$ 3,301,758</u>
LIABILITIES	
Accounts payable	\$ 170,195
Accrued payroll and related liabilities	136,684
Unearned revenue	1,579,719
Total liabilities	<u>\$ 1,886,598</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 123,959
Total deferred inflows of resources	<u>\$ 123,959</u>
FUND BALANCE	
Nonspendable	
Prepaid items	\$ 13,846
Restricted	70,357
Unassigned	1,206,998
Total fund balance	<u>\$ 1,291,201</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,301,758</u>

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

Town of Tazewell, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
At June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,291,201
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 2,018,576	
Buildings and improvements	1,484,213	
Vehicles	617,933	
Equipment, furniture, and fixtures	643,106	
Infrastructure	3,478,681	
Construction in progress	<u>110,270</u>	8,352,779
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Net pension asset	\$ 427,412	
Unavailable revenue - property taxes	<u>95,972</u>	523,384
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 358,220	
OPEB related items	<u>697,647</u>	1,055,867
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Loans payable	\$ (61,272)	
Compensated absences	(158,349)	
Net OPEB liabilities	<u>(2,412,687)</u>	(2,632,308)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (746,114)	
OPEB related items	<u>(685,949)</u>	(1,432,063)
Net position of governmental activities	<u>\$</u>	<u>7,158,860</u>

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

Town of Tazewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2022

	<u>General</u>
REVENUES	
General property taxes	\$ 969,006
Other local taxes	2,219,332
Permits, privilege fees, and regulatory licenses	12,655
Fines and forfeitures	61,211
Revenue from the use of money and property	12,407
Charges for services	2,009,432
Miscellaneous	195,101
Intergovernmental	2,056,494
Total revenues	<u>\$ 7,535,638</u>
EXPENDITURES	
Current:	
General government administration	\$ 723,289
Public safety	3,272,022
Public works	1,554,115
Parks, recreation, and cultural	389,797
Community development	123,449
Capital projects	483,675
Debt service:	
Principal retirement	40,773
Interest and other fiscal charges	4,608
Total expenditures	<u>\$ 6,591,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 943,910</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (246,696)
Issuance of loan payable	55,000
Total other financing sources (uses)	<u>\$ (191,696)</u>
Net change in fund balances	\$ 752,214
Fund balance - beginning, as restated	538,987
Fund balance - ending	<u><u>\$ 1,291,201</u></u>

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

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

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

Net change in fund balances - total governmental funds	\$	752,214
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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 the capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 691,166	
Depreciation expense	<u>(532,201)</u>	158,965

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

Property taxes		26,737
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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 loan payable	\$ (55,000)	
Principal repayments:		
Loans payable	<u>40,773</u>	(14,227)

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	\$ 70,850	
Change in pension related items	(166,259)	
Change in OPEB related items	<u>(210,105)</u>	(305,514)

Change in net position of governmental activities	\$	<u><u>618,175</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Tazewell, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2022

	Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>IDA Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,690,511	\$ 33,397	\$ 1,723,908
Accounts receivable, net of allowances for uncollectibles	392,300	9,467	401,767
Due from other governmental units	8,534	-	8,534
Prepaid items	3,046	-	3,046
Total current assets	<u>\$ 2,094,391</u>	<u>\$ 42,864</u>	<u>\$ 2,137,255</u>
Noncurrent assets:			
Net pension asset	\$ 141,244	\$ -	\$ 141,244
Inventory/investment held for resale	-	302,430	302,430
Capital assets:			
Land (including leased land)	21,581	401,357	422,938
Utility plant and buildings in service	17,270,472	-	17,270,472
Machinery and equipment	800,797	-	800,797
Accumulated depreciation/amortization	(10,411,961)	(488)	(10,412,449)
Construction in progress	820,810	92,693	913,503
Net capital assets	<u>\$ 8,501,699</u>	<u>\$ 493,562</u>	<u>\$ 8,995,261</u>
Total noncurrent assets	<u>\$ 8,642,943</u>	<u>\$ 795,992</u>	<u>\$ 9,438,935</u>
Total assets	<u>\$ 10,737,334</u>	<u>\$ 838,856</u>	<u>\$ 11,576,190</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 121,930	\$ -	\$ 121,930
OPEB related items	44,865	-	44,865
Total deferred outflows of resources	<u>\$ 166,795</u>	<u>\$ -</u>	<u>\$ 166,795</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 278,968	\$ 29,920	\$ 308,888
Accrued payroll and related liabilities	37,437	-	37,437
Customers' deposits	149,370	-	149,370
Accrued interest payable	9,457	674	10,131
Amount due to Tazewell PSA	422,723	-	422,723
Unearned revenue	994,816	-	994,816
Bonds and notes payable - current portion	234,880	16,880	251,760
Lease payable - current portion	-	139	139
Compensated absences - current portion	60,535	-	60,535
Total current liabilities	<u>\$ 2,188,186</u>	<u>\$ 47,613</u>	<u>\$ 2,235,799</u>
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 3,318,555	230,271	\$ 3,548,826
Lease payable - net of current portion	-	18,291	18,291
Compensated absences - net of current portion	20,177	-	20,177
Net OPEB liability	451,268	-	451,268
Total noncurrent liabilities	<u>\$ 3,790,000</u>	<u>\$ 248,562</u>	<u>\$ 4,038,562</u>
Total liabilities	<u>\$ 5,978,186</u>	<u>\$ 296,175</u>	<u>\$ 6,274,361</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 250,977	\$ -	\$ 250,977
OPEB related items	198,803	-	198,803
Total deferred inflows of resources	<u>\$ 449,780</u>	<u>\$ -</u>	<u>\$ 449,780</u>
NET POSITION			
Net investment in capital assets	\$ 4,525,541	\$ 227,981	\$ 4,753,522
Restricted	141,244	-	141,244
Unrestricted	(190,622)	314,700	124,078
Total net position	<u>\$ 4,476,163</u>	<u>\$ 542,681</u>	<u>\$ 5,018,844</u>

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

Town of Tazewell, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>IDA Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 3,324,670	\$ -	\$ 3,324,670
Penalties and service charges	9,698	-	9,698
Miscellaneous	1,208	600	1,808
Total operating revenues	<u>\$ 3,335,576</u>	<u>\$ 600</u>	<u>\$ 3,336,176</u>
OPERATING EXPENSES			
Salaries, wages and fringes	\$ 644,030	\$ -	\$ 644,030
Fringe benefits	340,817	-	340,817
Insurance	13,082	-	13,082
Office supplies	21,124	-	21,124
Postage	11,004	-	11,004
Telecommunications	15,526	-	15,526
Uniforms	6,900	-	6,900
Training	4,310	-	4,310
Maintenance	106,373	-	106,373
System evaluation	93,622	-	93,622
Equipment	9,637	-	9,637
Motor fuel and oil	20,219	-	20,219
Water works fees	5,901	-	5,901
Wastewater fees	9,529	-	9,529
Supplies	138,312	-	138,312
Purchased water	848,023	-	848,023
Utilities	207,367	689	208,056
Chemicals	78,354	-	78,354
Engineering	-	100,000	100,000
Miscellaneous	34,752	-	34,752
Community and economic development incentives	-	319,467	319,467
Depreciation/amortization	416,861	488	417,349
Total operating expenses	<u>\$ 3,025,743</u>	<u>\$ 420,644</u>	<u>\$ 3,446,387</u>
Operating income (loss)	<u>\$ 309,833</u>	<u>\$ (420,044)</u>	<u>\$ (110,211)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 21,953	\$ -	\$ 21,953
Noncapital grants	35,000	319,467	354,467
Loss on inventory/investment held for resale	-	(60,000)	(60,000)
Interest expense	(75,721)	(10,940)	(86,661)
Total nonoperating revenues (expenses)	<u>\$ (18,768)</u>	<u>\$ 248,527</u>	<u>\$ 229,759</u>
Income (loss) before contributions and transfers	<u>\$ 291,065</u>	<u>\$ (171,517)</u>	<u>\$ 119,548</u>
Capital contributions	18,924	-	18,924
Transfers in	18,468	228,228	246,696
Change in net position	<u>\$ 328,457</u>	<u>\$ 56,711</u>	<u>\$ 385,168</u>
Total net position - beginning, as restated	4,147,706	485,970	4,633,676
Total net position - ending	<u>\$ 4,476,163</u>	<u>\$ 542,681</u>	<u>\$ 5,018,844</u>

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

Town of Tazewell, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds		
	Water and Sewer Fund	IDA Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,251,113	\$ 600	\$ 3,251,713
Payments to suppliers	(1,550,127)	(390,236)	(1,940,363)
Payments to and for employees	(918,650)	-	(918,650)
Net cash provided by (used for) operating activities	\$ 782,336	\$ (389,636)	\$ 392,700
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	\$ 18,468	\$ 228,228	\$ 246,696
Intergovernmental revenue	35,000	310,000	345,000
Net cash provided by (used for) noncapital financing activities	\$ 53,468	\$ 538,228	\$ 591,696
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (132,632)	\$ (92,693)	\$ (225,325)
Principal payments on bonds and notes	(232,052)	(16,506)	(248,558)
Principal payments on lease payable	-	(137)	(137)
Proceeds from indebtedness	27,044	-	27,044
Payments received on note receivable	597,230	-	597,230
Interest received on note receivable	21,952	-	21,952
Capital contributions	18,924	-	18,924
Interest expense	(76,372)	(10,985)	(87,357)
Net cash provided by (used for) capital and related financing activities	\$ 224,094	\$ (120,321)	\$ 103,773
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 1	\$ -	\$ 1
Net cash provided by (used for) investing activities	\$ 1	\$ -	\$ 1
Net increase (decrease) in cash and cash equivalents	\$ 1,059,899	\$ 28,271	\$ 1,088,170
Cash and cash equivalents - beginning, as restated	630,612	5,126	635,738
Cash and cash equivalents - ending	\$ 1,690,511	\$ 33,397	\$ 1,723,908
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 309,833	\$ (420,044)	\$ (110,211)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization	\$ 416,861	\$ 488	\$ 417,349
Change in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable	(32,890)	-	(32,890)
Deferred outflows of resources	65,122	-	65,122
Prepaid items	(1,735)	-	(1,735)
Net pension asset	(141,244)	-	(141,244)
Amount from other governmental units	(8,534)	-	(8,534)
Customer deposits	9,334	-	9,334
Accounts payable	75,643	29,920	105,563
Accrued payroll and related liabilities	(6,975)	-	(6,975)
Amount due to Tazewell PSA	(15,866)	-	(15,866)
Unearned revenue	(36,507)	-	(36,507)
Compensated absences	(11,916)	-	(11,916)
Net pension liability	(70,050)	-	(70,050)
Net OPEB liability	(55,122)	-	(55,122)
Deferred inflows of resources	286,382	-	286,382
Total adjustments	\$ 472,503	\$ 30,408	\$ 502,911
Net cash provided by (used for) operating activities	\$ 782,336	\$ (389,636)	\$ 392,700

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

TOWN OF TAZEVELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town of Tazewell, Virginia (the “Town”) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial reporting entity:

The Town was established in 1916. It is a political subdivision of the Commonwealth of Virginia operating under the Mayor-Council form of government. The Town consists of a mayor and six other council members. The Town is part of Tazewell County, Virginia and has taxing powers subject to statewide restrictions and tax limits. The Town provides a full range of municipal services including police, fire and rescue, refuse collection, public improvements, planning and zoning, general administrative services, recreation, and water and wastewater services. The financial statements present the Town as the primary government. A component unit is an entity for which the Town is considered to be financially accountable. The Town has no related or jointly governed organization.

Blended Component Unit - The business-type activities column in the financial statements includes the financial data of the Town’s blended component unit.

The Town of Tazewell Industrial Development Authority (“IDA”) encourages and provides financing for industrial development in the Town. The IDA board members are appointed by the Town Council. The IDA is fiscally dependent upon the Town because the Town provides significant funding and debt of the IDA is covered by a support agreement with the Town. In addition, the IDA does not have separate taxing powers. The IDA is reported as a proprietary fund and does not issue separate financial statements.

For financial reporting purposes the Town includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent upon the Town Council. Control by, or dependence upon, the Town Council was determined on the basis of the following:

1. The Town's ability to designate the management or significantly control the operations of the entity.
2. The Town's responsibility for the fiscal matters of the entity, including the authorization of budgetary appropriations, funding of operating deficiencies, control or use of surplus funds, responsibility for debts, and control over the collections and disbursement of funds.
3. The scope of public services rendered by and the geographic location of the entity.

Based on the foregoing criteria, the financial activities of no other organizations are included in the accompanying financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

B. 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 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.

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

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

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

C. Budgetary basis of accounting

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

1. During the regular May Council meetings, the Town Manager submits a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget for the general fund is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

C. Budgetary basis of accounting (Continued)

4. The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriations for each department or category can be revised only by Town Council. The Town Manager is authorized to transfer amounts within general governmental departments.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted utilizing the modified accrual of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented is the final revised budget.

For the year ended June 30, 2022, expenditures did not exceed appropriations in any departments.

At year end, no funds had deficit fund equity.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

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.

The Town reports the following major governmental fund:

The *general fund* is the primary operating fund of the Town. The fund is used to account for and report for all financial resources except those required to be accounted for and reported in another fund.

The Town reports the following major proprietary funds:

Proprietary funds consist of enterprise funds. *Enterprise funds* account for financing and services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability, or other purposes. The enterprise funds consist of the activities related to water and sewer services and the IDA fund.

The *IDA fund* accounts for activities for the IDA, a blended component unit of the Town. The IDA encourages and provides financing for industrial development in the Town.

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 Town's proprietary fund 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services and contributions. 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 expenses, depreciation on capital assets, and community and economic development incentives. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

The Town's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the Town'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. Investments

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

3. Property Taxes

Property is assessed at 100% of its fair market value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. Personal property taxes do not create a lien on property. The County of Tazewell, Virginia is responsible for the assessments, while the Town bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$272,738 for the General Fund and \$174,712 for the Water and Sewer Fund at June 30, 2022. The allowance consists of unpaid taxes in the amount of \$53,901, unpaid garbage bills of \$27,039, ambulance services of \$191,798, and unpaid water/sewer bills of \$174,712.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

5. Use of Estimates

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

6. Prepaid Items

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

7. 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 Town 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 assets or materially extend the asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	25-40
Utility plants and buildings in service	25-40
Infrastructure	25
Machinery, equipment, and vehicles	5-10
Equipment, furniture, and fixtures	5-10
Right-to-use leased land	40

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

7. Capital Assets (Continued)

Infrastructure assets are roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and include all assets constructed since July 1, 2001. The retroactive reporting of general infrastructure is optional and the Town has chosen not to report these assets.

8. Compensated Absences

The Town's policies allow for the accumulation of personal time off (PTO) until termination or retirement. Such absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability is reported in governmental fund only when the leave is due and payable.

9. Pensions

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

10. Other Postemployment Benefits (OPEB) - Line of Duty Act Program

For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program 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.

11. Long-term Obligations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

11. Long-term Obligations (Continued)

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.

12. Fund Balance

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

12. Fund Balance (Continued)

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance / 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 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).

13. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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 asset/liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple 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 taxes due prior to June 30, amounts due subsequent to June 30, and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

14. Net Position

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

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

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

15. Leases

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. The Town's leases include payments over the lease term and do not contain variable payments or guaranteed residual values in the lease agreements.

Lessee

The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) at the commencement of the lease term for noncancellable lease terms. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The Town recognizes lease liabilities with an initial value of \$5,000 or more. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

15. Leases (Continued)

The lease liability is reduced as payments are made and an outflow of resources (for example, expense) is recognized for interest on the liability. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset. Additional disclosures regarding leases are in related notes.

Key estimates

Key estimates and judgements related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in the lease. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms and conditions for leases vary by the type of underlying asset.
- Lease payments made are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

Note 2-Deposits and Investments:

Deposits: Deposits with banks are covered (with the exception noted below) 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 amounts from 50% to 130% of excess deposits.

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank’s failure, the Town’s deposits may not be returned to it. While it is the policy of the Town to require all deposits to be reported to the State Treasurer under the Security for Public Deposits Act (the “Act”) as discussed above; funds totaling \$200,294 in the water and sewer fund were not covered by the FDIC or the Act and therefore were subject to custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 2-Deposits and Investments: (Continued)

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 Investor Service, Inc.; A-1 by Standard and Poor’s; or F-1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Interest Rate Risk: The Town has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
LGIP	\$ 1,526,148	\$ 1,526,148

Custodial Credit Risk - Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investments at June 30, 2022 were held in the Town’s name by the Town’s custodial bank.

Credit Risk of Debt Securities: The Town’s rated debt investments as of June 30, 2022 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
LGIP	\$ 1,526,148

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 3-Due from Other Governmental Units:

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

	Governmental Activities	Business-type Activities	Total
<u>Local Government:</u>			
Tazewell PSA	\$ -	\$ 8,534	\$ 8,534
<u>Commonwealth of Virginia:</u>			
Noncategorical aid	3,157	-	3,157
Total	\$ 3,157	\$ 8,534	\$ 11,691

Note 4-Interfund Activity:

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 246,696
Water and Sewer Fund	18,468	-
IDA Fund	228,228	
Total	\$ 246,696	\$ 246,696

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.

As of June 30, 2022, there were no interfund obligations.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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, 2022:

	Balance July 1, 2021, as restated ⁽¹⁾	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022
Direct borrowings and placements -				
Loans payable	\$ 47,045	\$ 55,000	\$ (40,773)	\$ 61,272
Compensated absences	229,199	101,049	(171,899)	158,349
Net pension liability ⁽²⁾	251,511	1,041,434	(1,292,945)	-
Net OPEB liabilities	2,239,201	1,185,693	(1,012,207)	2,412,687
Total	<u>\$ 2,766,956</u>	<u>\$ 2,383,176</u>	<u>\$ (2,517,824)</u>	<u>\$ 2,632,308</u>

⁽¹⁾ Beginning balance includes restatement to transfer IDA fund debt from governmental activities to business-type activities.

⁽²⁾ Beginning balance was a net pension liability; however, the ending balance is a net pension asset.

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2023	\$ 32,099	\$ 869
2024	13,857	439
2025	14,126	170
2026	1,190	2
Totals	<u>\$ 61,272</u>	<u>\$ 1,480</u>

TOWN OF TAZEVELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 5-Long-term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Loan Payable	2.75%	2018	2023	\$ 150,000	\$ 18,505	\$ 18,505
Loan Payable	1.92%	2022	2026	55,000	42,767	13,594
Total Direct Borrowings and Placements					\$ 61,272	\$ 32,099
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 158,349	\$ 118,762
Net OPEB Liabilities	n/a	n/a	n/a	n/a	2,412,687	-
Total other obligations					\$ 2,571,036	\$ 118,762
Total long-term obligations					\$ 2,632,308	\$ 150,861

In the event of default for the loan payable from direct borrowings and placements, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 5-Long-term Obligations: (Continued)

Business-type Activities Obligations:

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

	Balance Balance July 1, 2021	Adjustment/ Restatement	Balance July 1, 2021, as adjusted/ restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022
Direct Borrowings and Placements -						
Revenue bonds	\$ 1,274,563	\$ -	\$ 1,274,563	\$ -	\$ (41,923)	\$ 1,232,640
General obligation bonds	2,483,880	-	2,483,880	27,044	(190,129)	2,320,795
Bond payable ⁽¹⁾	-	263,657	263,657	-	(16,506)	247,151
Lease payable ⁽²⁾	-	18,567	18,567	-	(137)	18,430
Compensated absences	92,628	-	92,628	57,555	(69,471)	80,712
Net pension liability ⁽³⁾	70,050	-	70,050	353,975	(424,025)	-
Net OPEB liability	506,390	-	506,390	79,309	(134,431)	451,268
Total	\$ 4,427,511	\$ 282,224	\$ 4,709,735	\$ 517,883	\$ (876,622)	\$ 4,350,996

⁽¹⁾ Beginning balance includes restatement to transfer IDA fund debt from governmental activities to business-type activities.

⁽²⁾ Beginning balance includes adjustment of lease payable as a result of the implementation of GASBS No. 87.

⁽³⁾ Beginning balance was a net pension liability; however, the ending balance is a net pension asset.

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 5-Long-term Obligations: (Continued)

Business-type Activities Obligations: (Continued)

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

Year Ending June 30,	Direct Borrowings and Placements		Lease Payable	
	Principal	Interest	Principal	Interest
2023	\$ 251,760	\$ 83,822	\$ 139	\$ 369
2024	256,708	78,874	152	366
2025	261,780	73,802	166	363
2026	266,978	68,602	180	359
2027	272,308	63,273	194	356
2028-2032	1,261,472	231,608	1,204	1,715
2033-2037	568,241	128,358	1,646	1,577
2038-2042	572,872	56,671	2,165	1,392
2043-2047	88,467	2,517	2,775	1,153
2048-2052	-	-	3,490	847
2053-2057	-	-	4,324	466
2058-2059	-	-	1,995	60
Totals	<u>\$ 3,800,586</u>	<u>\$ 787,527</u>	<u>\$ 18,430</u>	<u>\$ 9,023</u>

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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-Rural Development	3.25%	2003	2043	\$ 1,800,000	\$ 1,232,640	\$ 42,607
General Obligation Bonds:						
Virginia Resources Authority	2.25%	2015	2046	518,022	\$ 400,434	\$ 15,108
Virginia Resources Authority	2.25%	2015	2046	108,598	67,467	3,621
Virginia Resources Authority	1.55%	2013	2034	2,988,696	1,480,093	155,213
Virginia Resources Authority ¹	0.00%	2021	2046	458,287	372,801	18,331
Total General Obligation Bonds					<u>\$ 2,320,795</u>	<u>\$ 192,273</u>
Bond Payable	4.27%	2019	2034	\$ 300,000	\$ 247,151	\$ 16,880
Total direct borrowings and placements					<u>\$ 3,800,586</u>	<u>\$ 251,760</u>
Other Obligations:						
Lease Payable	2.00%	2020	2059	19,209	\$ 18,430	\$ 139
Compensated Absences	n/a	n/a	n/a	n/a	80,712	60,535
Net OPEB Liability	n/a	n/a	n/a	n/a	451,268	-
Total other obligations					<u>\$ 550,410</u>	<u>\$ 60,674</u>
Total long-term obligations					<u>\$ 4,350,996</u>	<u>\$ 312,434</u>

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

¹ As of June 30, 2022, only \$391,133 has been drawn down on this loan.

If an event of default occurs with VRA bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the Authority.

In the event of default for the bond payable from direct borrowings and placements, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

Arbitrage Rebate Compliance:

As of June 30, 2022 and for the year then ended, the Town was not liable for any amounts due under current rules governing arbitrage earnings.

Debt Purpose:

All of the bonds issued in either the governmental activities or business-type activities as listed above were issued for capital projects, land purchases, or refunding bonds previously issued for capital projects.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 6-Lines of Credit:

Governmental Activities Obligations:

On June 19, 2019, the Town entered into a \$350,000 line of credit with New Peoples Bank, Inc. with an interest rate of 4.25% to cover cash shortfalls. There was no outstanding balance at June 30, 2022 and there was no activity during the year.

On March 22, 2018, the Town entered into a \$400,000 line of credit with National Bank with a variable interest rate, 4.5% during the fiscal year, to cover cash shortfalls during the year. There was no outstanding balance at June 30, 2022 and there was no activity during the year.

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.

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 creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 7-Pension Plan: (Continued)

Benefit Structures (Continued)

- b. Employees with a membership date from July 1, 2010 to December 31, 2023, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service 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 plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 7-Pension Plan: (Continued)***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, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	43
Inactive members:	
Vested inactive members	10
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>25</u>
Total inactive members	64
Active members	<u>73</u>
Total covered employees	<u><u>180</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2022 was 7.40% 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 \$172,208 and \$174,818 for the years ended June 30, 2022 and June 30, 2021, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 7-Pension Plan: (Continued)

Net Pension Asset

The net pension asset (NPA) 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 asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 7-Pension Plan: (Continued)**Actuarial Assumptions - General Employees (Continued)**

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 7-Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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:

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

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

*On October 19, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2020	\$ 7,533,286	\$ 7,211,725	\$ 321,561
Changes for the year:			
Service cost	\$ 288,388	\$ -	\$ 288,388
Interest	497,445	-	497,445
Changes of benefit terms	273,862	-	273,862
Changes of assumptions	287,963	-	287,963
Differences between expected and actual experience	33,113	-	33,113
Contributions - employer	-	174,818	(174,818)
Contributions - employee	-	121,402	(121,402)
Net investment income	-	1,979,398	(1,979,398)
Benefit payments, including refunds of employee contributions	(327,459)	(327,459)	-
Administrative expenses	-	(4,818)	4,818
Other changes	-	188	(188)
Net changes	\$ 1,053,312	\$ 1,943,529	\$ (890,217)
Balances at June 30, 2021	\$ 8,586,598	\$ 9,155,254	\$ (568,656)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

The following presents the net pension liability (asset) of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability (asset) 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%)	Discount (6.75%)	1% Increase (7.75%)
Town's			
Net Pension Liability (Asset)	\$ 554,266	\$ (568,656)	\$ (1,494,552)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$402,363. At June 30, 2022, 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	\$ 86,309	\$ -
Change in assumptions	209,989	-
Change in proportionate shares	11,644	11,644
Net difference between projected and actual earnings on pension plan investments	-	985,447
Employer contributions subsequent to the measurement date	172,208	-
Total	\$ 480,150	\$ 997,091

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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

\$172,208 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/increase of the Net Pension Liability/Asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2023	\$	(67,398)
2024		(115,910)
2025		(207,079)
2026		(298,762)
Thereafter		-

Pension Plan Data

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

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 8-Capital Assets:

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

Primary Government:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land ⁽¹⁾	\$ 2,018,576	\$ -	\$ -	\$ 2,018,576
Construction in progress	33,981	76,289	-	110,270
Total capital assets not being depreciated	<u>\$ 2,052,557</u>	<u>\$ 76,289</u>	<u>\$ -</u>	<u>\$ 2,128,846</u>
Capital assets, being depreciated:				
Buildings and improvements ⁽¹⁾	\$ 2,845,349	\$ -	\$ -	\$ 2,845,349
Infrastructure	4,719,299	-	-	4,719,299
Vehicles	2,705,913	233,070	-	2,938,983
Equipment, furniture, and fixtures	1,308,437	381,807	-	1,690,244
Total capital assets being depreciated	<u>\$ 11,578,998</u>	<u>\$ 614,877</u>	<u>\$ -</u>	<u>\$ 12,193,875</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,291,568)	\$ (69,568)	\$ -	\$ (1,361,136)
Infrastructure	(1,067,559)	(173,059)	-	(1,240,618)
Vehicles	(2,170,778)	(150,272)	-	(2,321,050)
Equipment, furniture, and fixtures	(907,836)	(139,302)	-	(1,047,138)
Total accumulated depreciation	<u>\$ (5,437,741)</u>	<u>\$ (532,201)</u>	<u>\$ -</u>	<u>\$ (5,969,942)</u>
Total capital assets being depreciated, net	<u>\$ 6,141,257</u>	<u>\$ 82,676</u>	<u>\$ -</u>	<u>\$ 6,223,933</u>
Governmental activities capital assets, net	<u>\$ 8,193,814</u>	<u>\$ 158,965</u>	<u>\$ -</u>	<u>\$ 8,352,779</u>

⁽¹⁾ Beginning balance includes restatement to transfer IDA fund assets (capital assets and inventory/investment held for resale) from governmental activities to business-type activities.

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TOWN OF TAZEVELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 8-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Adjustment / Restatement	Beginning Balance, as Adjusted/ Restated	Increase	Decrease	Ending Balance
Business-type Activities:						
Capital assets, not being depreciated:						
Land ⁽¹⁾	\$ 21,581	\$ 382,790	\$ 404,371	\$ -	\$ -	\$ 404,371
Construction in progress	688,178	-	688,178	225,325	-	913,503
Total capital assets not being depreciated	<u>\$ 709,759</u>	<u>\$ 382,790</u>	<u>\$ 1,092,549</u>	<u>\$ 225,325</u>	<u>\$ -</u>	<u>\$ 1,317,874</u>
Capital assets, being depreciated:						
Machinery and equipment	\$ 800,797	\$ -	\$ 800,797	\$ -	\$ -	\$ 800,797
Utility plant and buildings in service	17,270,472	-	17,270,472	-	-	17,270,472
Total capital assets being depreciated	<u>\$ 18,071,269</u>	<u>\$ -</u>	<u>\$ 18,071,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,071,269</u>
Accumulated depreciation:						
Machinery and equipment	\$ (686,545)	\$ -	\$ (686,545)	\$ (37,788)	\$ -	\$ (724,333)
Utility plant and buildings in service	(9,308,555)	-	(9,308,555)	(379,073)	-	(9,687,628)
Total accumulated depreciation	<u>\$ (9,995,100)</u>	<u>\$ -</u>	<u>\$ (9,995,100)</u>	<u>\$ (416,861)</u>	<u>\$ -</u>	<u>\$ (10,411,961)</u>
Total capital assets being depreciated, net	<u>\$ 8,076,169</u>	<u>\$ -</u>	<u>\$ 8,076,169</u>	<u>\$ (416,861)</u>	<u>\$ -</u>	<u>\$ 7,659,308</u>
Intangible right-to-use assets:						
Leased land ⁽²⁾	\$ -	\$ 18,567	\$ 18,567	\$ -	\$ -	\$ 18,567
Total intangible right-to-use assets	<u>\$ -</u>	<u>\$ 18,567</u>	<u>\$ 18,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,567</u>
Accumulated amortization:						
Leased land	\$ -	\$ -	\$ -	\$ (488)	\$ -	\$ (488)
Total accumulated amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (488)</u>	<u>\$ -</u>	<u>\$ (488)</u>
Total intangible right-to-use assets being amortized, net	<u>\$ -</u>	<u>\$ 18,567</u>	<u>\$ 18,567</u>	<u>\$ (488)</u>	<u>\$ -</u>	<u>\$ 18,079</u>
Business-type activities capital assets, net	<u>\$ 8,785,928</u>	<u>\$ 401,357</u>	<u>\$ 9,187,285</u>	<u>\$ (192,024)</u>	<u>\$ -</u>	<u>\$ 8,995,261</u>

⁽¹⁾ Beginning balance includes restatement to transfer IDA Fund assets (capital assets and inventory/investment held for resale) from governmental activities to business-type activities.

⁽²⁾ Beginning balance includes adjustment of leased land as a result of the implementation of GASBS No. 87.

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 8-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 34,009
Public safety	178,043
Public works	235,162
Parks, recreation, and cultural	84,987
	<hr/>
Total depreciation expense - governmental activities	\$ 532,201
	<hr/>
Business type activities:	
Water and sewer	\$ 416,861
IDA	488
	<hr/>
Total depreciation/amortization expense - business-type activities	\$ 417,349
	<hr/>

Note 9-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability and workers compensation with the Virginia Municipal League. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal League contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, 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. Settled claims have not exceeded pool coverage in any of the past three fiscal years. The Town carried commercial insurance, as necessary, for other risks of loss.

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 10-Aggregate OPEB Information:

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities, and OPEB expense for the year ended June 30, 2022.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
Other Postemployment Benefits - Health Insurance	\$ 184,325	\$ 655,360	\$ 2,048,296	\$ 27,358
Line of Duty Act (LODA) Program	558,187	229,392	815,659	109,197
Totals	<u>\$ 742,512</u>	<u>\$ 884,752</u>	<u>\$ 2,863,955</u>	<u>\$ 136,555</u>

Note 11-Other Postemployment Benefits (OPEB) - Health Insurance:

Plan Description

In addition to the pension benefits, the Town administers a single-employer defined benefit healthcare plan, The Town of Tazewell OPEB Plan. Participants must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Only participants who retire directly from active service are eligible for the OPEB as follows:

- Employees retiring after 50 years of age and 10 year of service.
- Employees retiring after 55 years of age and 5 years of service.

The plan does not issue a publicly available financial report.

Benefits Provided

Benefits include medical, dental and vision insurance. The Town contributes 80% of the premium until the retiree reaches the age of 65. The Town makes no contributions to retirees for post-65 coverage as Medicare eligible retirees pay 100% of the Medicare supplement premium.

Plan Membership

At June 30, 2022 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	71
Total retirees and spouses with coverage	<u>7</u>
Total	<u>78</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 11-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2022 was \$118,650.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate - A 3.54% discount rate was used for measuring the plan's June 30, 2022 total OPEB liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2022. (This compares to the 2.16% discount rate used to measure the plan's June 30, 2021 total OPEB liability.)

Inflation Rate - 2.50% annual rate of inflation.

Coverage Elections - The Town assumes 90% of future retirees will elect health coverage upon retirement. The Town assumes 90% of future retirees electing medical coverage will also elect to cover their spouse.

Option Elections - The proportion of members in each option will remain constant.

Mortality Rates-General Employees - The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 11-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

Actuarial Assumptions (Continued)

Mortality Rates-Public Safety - The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.

Age-Related Claims Cost Assumption - A blended premium rate for active employees and retirees under age 65 is a common practice. Medical costs generally increase with age, so the result is the blended premium rate is higher than the true underlying cost for actives and the blended premium rate is lower than the true underlying cost for retirees. GASB addresses this practice by requiring the plan sponsor to determine the liabilities and costs for retiree benefits after removing the effect of any implicit rate subsidies. The net cost of the plan is equal to the true underlying cost minus the portion of the cost paid by the retiree.

Milliman's *Health Cost Guidelines* (Guidelines) was used to estimate the true underlying cost of each medical option, and used these estimated costs to calculate the GASB liabilities and costs.

Healthcare Trend Assumption - The healthcare trend rate assumption starts at 4.80% decreasing to 4.00% over 53 years.

The date of the most recent actuarial experience study for which significant assumptions were based on actual experience over the four-year period ending June 30, 2016.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2021	\$ 2,038,715
Changes for the year:	
Service cost	310,513
Interest	49,469
Effect of assumptions changes or inputs	(231,751)
Benefit payments	(118,650)
Net changes	<u>9,581</u>
Balances at June 30, 2022	<u>\$ 2,048,296</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 11-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

Rate		
1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
\$ 2,213,718	\$ 2,048,296	\$ 1,896,407

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

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.80% decreasing ultimate rate of 3.00%) or one percentage point higher (5.80% decreasing ultimate rate of 5.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (3.80% decreasing to 3.00%)	Healthcare Cost Trend (4.80% decreasing to 4.00%)	1% Increase (5.80% decreasing to 5.00%)
\$ 1,763,312	\$ 2,048,296	\$ 2,391,675

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

For the year ended June 30, 2022, the Town recognized OPEB expense in the amount of \$27,358. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 311,371
Changes in assumptions	79,434	239,098
Changes in proportionate share	104,891	104,891
Total	\$ 184,325	\$ 655,360

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 11-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2023	\$	(84,624)
2024		(84,624)
2025		(99,353)
2026		(110,280)
2027		(92,154)
Thereafter		-

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

Note 12-Line of Duty Act (LODA) Program:***Plan Description***

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA Program) 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.

The specific information for LODA OPEB, including eligibility, coverage and benefits 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 LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 12-Line of Duty Act (LODA) Program: (Continued)

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. 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.

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, 2022 was \$722.55 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 \$34,863 and \$25,465 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the entity reported a liability of \$815,659 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The 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, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was 0.18500% as compared to 0.16880% at June 30, 2021.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of \$109,197. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 12-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)***

At June 30, 2022, 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	\$ 68,004	\$ 123,498
Net difference between projected and actual earnings on LODA OPEB plan investments	-	4,723
Change in assumptions	225,720	39,017
Change in proportion	229,600	62,154
Employer contributions subsequent to the measurement date	<u>34,863</u>	<u>-</u>
Total	<u>\$ 558,187</u>	<u>\$ 229,392</u>

\$34,863 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, 2023. 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:

Year Ended June 30

2023	\$ 52,825
2024	53,042
2025	53,106
2026	53,174
2027	23,532
Thereafter	58,253

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 12-Line of Duty Act (LODA) Program: (Continued)**Actuarial Assumptions**

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary Increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
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 2029
Ages 65 and older	Fiscal year ended 2024
Investment rate of return	2.16%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 12-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees (Continued)

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 12-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, 2021, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 448,542
Plan Fiduciary Net Position	7,553
LODA Net OPEB Liability (Asset)	<u>\$ 440,989</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.68%

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 2.16% 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 2.16% 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, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. 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, 2021, 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 12-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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

	Discount Rate		
	1% Decrease (1.16%)	Current (2.16%)	1% Increase (3.16%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 938,306	\$ 815,659	\$ 718,205

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	\$ 669,269	\$ 815,659	\$ 1,003,361

LODA OPEB Fiduciary Net Position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 13-Deferred/ Unavailable Revenue:

Deferred and 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.

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 95,972
Prepaid property taxes due after June 30 but paid in advance by taxpayers	27,987	27,987
	\$ 27,987	\$ 123,959

Note 14-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Town had unearned revenue of \$1,579,719, which is comprised of unspent American Rescue Plan Act funds.

The enterprise fund reports unearned revenue in connection with receipt of capital assets from the sale of capacity rights to the Town's sewer treatment plant. Revenue is recognized over the term of the agreement. During the year ended June 30, 2022, \$36,507 of revenue was recognized under this agreement. At June 30, 2022, the Town had \$994,816 in unearned revenue under this agreement.

Note 15-Contingencies:**Grants**

Federal programs in which the Town participates may be subjected to audit by the Federal Government or a related oversight agency, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 16-Commitments:

At June 30, 2022, the Town had no outstanding construction commitments.

In February 2021, the IDA and Dragon Property Holdings, LLC (DPH) signed a property development agreement for the acquisition and renovation of the Sunnyside property. The IDA has agreed to purchase the Sunnyside property for \$300,000 and provide \$850,000 in upfits to the property. Both the IDA and DPH have agreed to raise grant funding in order to facilitate the IDA's ability to purchase the property and provide uplifts of at least \$1,150,000. After the IDA has allowed expenditure of funds granted that totals \$850,000 in uplifts to the property, DPH and the EDA will enter into a mutually agreeable four year lease agreement where DPH will lease the property for \$60,000 per year with a right of first purchase option to acquire the property at the end of the lease term for \$1.

Note 17-Litigation:

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

Note 18-Service Contract:

Effective September 1996, the Town entered into an agreement with the Tazewell County Public Service Authority (the "PSA") to purchase water for a forty-year period at which time the agreement may be renewed in additional five-year increments. The Town also conveyed its water treatment plant to the PSA as part of the agreement. For 2022, the Town paid approximately \$850,000 to the PSA for water.

Note 19-Sewer Treatment Capacity:

During 2010, the Town entered into an agreement with the PSA whereby the Town allocated 40% of its sewer treatment plant capacity to the PSA in exchange for water lines valued at \$637,000.

The PSA will also pay a monthly Treatment and Disposal Volume Charge determined by the Town's total direct and indirect costs to maintain the facility and the number of gallons discharged into the facility by the PSA. Any unexpected capital expenditures along with necessary maintenance, repairs, replacements, or upgrades, of any sanitary sewer lines used to transport the PSA's flow into the facility will be paid by both parties based on their respective capacities in the facility. Both parties will each contribute \$500, \$1,000 in total, per month to a capital reserve fund not to exceed \$50,000 to assist with unexpected capital expenditures.

In addition, under this agreement, an annual true up of the volume charges to the PSA for wastewater and treatment and disposal charges will be calculated based on the Town's audited expenses incurred for the preceding fiscal year. The Town estimates the true-up due annually for financial reporting purposes based on prior year actual data.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 20-Restricted Fund Balance/Net Position:

At year end the following amounts were restricted as to use:

<u>Purpose</u>	<u>General Fund</u>
North Tazewell Train Station	\$ 3,031
Fire Program Funds	55,353
Scholarship Fund	11,973
Total restricted fund balance	<u>\$ 70,357</u>

<u>Purpose</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General fund restricted fund balance	\$ 70,357	\$ -
Net pension asset	427,412	141,244
Total restricted net position	<u>\$ 497,769</u>	<u>\$ 141,244</u>

Note 21-Jointly Constructed Asset:

The Town entered into an agreement with the Tazewell County Public Service Authority for the joint construction of a water tank. Terms of the agreement require the Town to make payments to the PSA equal to the debt service on their prorated share of the asset (water tank). An asset with a gross value of \$462,389 has been recorded in the accompanying financial statements. In addition, a liability has been reported as an amount due to the Tazewell County PSA for the Town's share of the related liability.

Note 22-Restatement of Beginning Balances:

The financial statements have been restated to reclassify the IDA fund as a proprietary fund and business-type activity as follows:

	<u>General Fund</u>
Beginning fund balance, as previously stated	\$ 544,113
Reclassification to report the IDA fund as a proprietary fund	(5,126)
Beginning fund balance, as restated	<u>\$ 538,987</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 22-Restatement of Beginning Balances: (Continued)

	Governmental Activities	Business-Type Activities	IDA Fund
Beginning net position, as previously stated	\$ 7,026,655	\$ 4,147,706	\$ -
Reclassification to report the IDA fund as a business-type activity:			
Fund balance	(5,126)	5,126	5,126
Debt	263,657	(263,657)	(263,657)
Interest payable	719	(719)	(719)
Non-financial assets	(745,220)	745,220	745,220
Beginning net position, as restated	<u>\$ 6,540,685</u>	<u>\$ 4,633,676</u>	<u>\$ 485,970</u>

Note 23-Adoption of Accounting Principle:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 87, Leases, during the fiscal year ended June 30, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. No restatement of beginning net position was required as a result of this implementation. The following balances were recognized as of July 1, 2021 related to the lease:

GASBS No. 87 implementation:

Right-to-use asset - leased land	\$ 18,567
Lease payable	(18,567)

Note 24- COVID-19 Pandemic Funding and Subsequent Event Note Disclosure:**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.

The Town is expected to receive total CSLFRF funding of \$4,296,356. As of June 30, 2022, 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 \$1,579,719 from the initial allocation are reported as unearned revenue as of June 30. The Town is expected to receive the second half during fiscal year 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 25-Upcoming Pronouncements:

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. 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 fiscal years 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 fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

Required Supplementary Information

Town of Tazewell, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	<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	\$ 870,783	\$ 870,783	\$ 969,006	\$ 98,223
Other local taxes	1,918,451	1,918,451	2,219,332	300,881
Permits, privilege fees, and regulatory licenses	7,800	7,800	12,655	4,855
Fines and forfeitures	20,750	20,750	61,211	40,461
Revenue from the use of money and property	7,500	7,500	12,407	4,907
Charges for services	1,944,000	1,945,178	2,009,432	64,254
Miscellaneous	63,217	69,409	195,101	125,692
Intergovernmental	1,955,939	4,105,993	2,056,494	(2,049,499)
Total revenues	<u>\$ 6,788,440</u>	<u>\$ 8,945,864</u>	<u>\$ 7,535,638</u>	<u>\$ (1,410,226)</u>
EXPENDITURES				
Current:				
General government administration	\$ 884,781	\$ 867,056	\$ 723,289	\$ 143,767
Public safety	3,197,003	3,365,554	3,272,022	93,532
Public works	1,561,589	1,632,689	1,554,115	78,574
Parks, recreation, and cultural	724,613	614,858	389,797	225,061
Community development	110,900	135,725	123,449	12,276
Capital projects	230,544	2,050,972	483,675	1,567,297
Debt service:				
Principal retirement	42,780	42,780	40,773	2,007
Interest and other fiscal charges	5,024	5,024	4,608	416
Total expenditures	<u>\$ 6,757,234</u>	<u>\$ 8,714,658</u>	<u>\$ 6,591,728</u>	<u>\$ 2,122,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 31,206</u>	<u>\$ 231,206</u>	<u>\$ 943,910</u>	<u>\$ 712,704</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (31,206)	\$ (231,206)	\$ (246,696)	\$ (15,490)
Issuance of equipment loan payable	-	-	55,000	55,000
Total other financing sources (uses)	<u>\$ (31,206)</u>	<u>\$ (231,206)</u>	<u>\$ (191,696)</u>	<u>\$ 39,510</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752,214</u>	<u>\$ 752,214</u>
Fund balances - beginning	-	-	538,987	538,987
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,291,201</u>	<u>\$ 1,291,201</u>

Town of Tazewell, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates June 30, 2014 through June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 288,388	\$ 210,799	\$ 179,383	\$ 184,641	\$ 182,645	\$ 162,448	\$ 159,244	\$ 159,643
Interest	497,445	463,326	434,836	420,207	428,414	395,660	387,474	368,277
Changes in benefit terms	273,862	-	-	-	-	(37,298)	-	-
Changes of assumptions	287,963	-	197,476	-	(110,726)	-	-	-
Differences between expected and actual experience	33,113	146,038	138,453	(90,679)	(297,667)	262,365	(105,444)	-
Net investment income	-	-	-	-	-	(279,932)	(315,859)	-
Benefit payments	(327,459)	(301,920)	(294,086)	(316,276)	(323,549)	(27,049)	(25,830)	(165,664)
Net change in total pension liability	\$ 1,053,312	\$ 518,243	\$ 656,062	\$ 197,893	\$ (120,883)	\$ 476,194	\$ 99,585	\$ 362,256
Total pension liability - beginning	7,533,286	7,015,043	6,358,981	6,161,088	6,281,971	5,805,777	5,706,192	5,343,936
Total pension liability - ending (a)	\$ 8,586,598	\$ 7,533,286	\$ 7,015,043	\$ 6,358,981	\$ 6,161,088	\$ 6,281,971	\$ 5,805,777	\$ 5,706,192
Plan fiduciary net position								
Contributions - employer	\$ 174,818	\$ 71,228	\$ 67,114	\$ 114,662	\$ 117,604	\$ 101,017	\$ 93,319	\$ 98,541
Contributions - employee	121,402	117,521	107,970	101,599	102,534	86,660	79,627	82,807
Net investment income	1,979,398	137,373	454,839	477,130	715,290	100,250	261,411	793,580
Benefit payments	(327,459)	(301,920)	(294,086)	(316,276)	(323,549)	(306,981)	(341,689)	(165,664)
Administrator charges	(4,818)	(4,670)	(4,513)	(4,113)	(4,153)	(3,678)	(3,700)	(4,222)
Other	188	(163)	(287)	(426)	(634)	(43)	(55)	42
Net change in plan fiduciary net position	\$ 1,943,529	\$ 19,369	\$ 331,037	\$ 372,576	\$ 607,092	\$ (22,775)	\$ 88,913	\$ 805,084
Plan fiduciary net position - beginning	7,211,725	7,192,356	6,861,319	6,488,743	5,881,651	5,904,426	5,815,513	5,010,429
Plan fiduciary net position - ending (b)	\$ 9,155,254	\$ 7,211,725	\$ 7,192,356	\$ 6,861,319	\$ 6,488,743	\$ 5,881,651	\$ 5,904,426	\$ 5,815,513
Town's net pension liability (asset) - ending (a) - (b)	\$ (568,656)	\$ 321,561	\$ (177,313)	\$ (502,338)	\$ (327,655)	\$ 400,320	\$ (98,649)	\$ (109,321)
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.62%	95.73%	102.53%	107.90%	105.32%	93.63%	101.70%	101.92%
Covered payroll	\$ 2,595,131	\$ 2,516,152	\$ 2,286,698	\$ 2,128,304	\$ 2,165,434	\$ 1,813,465	\$ 1,631,896	\$ 1,631,896
Town's net pension liability (asset) as a percentage of covered payroll	-21.91%	12.78%	-7.75%	-23.60%	-15.13%	22.07%	-6.05%	-6.70%

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 Tazewell, Virginia
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2022	\$ 172,208	\$ 172,208	\$ -	\$ 2,520,064	6.83%
2021	174,818	174,818	-	2,595,131	6.74%
2020	71,228	71,228	-	2,516,152	2.83%
2019	67,114	67,114	-	2,286,698	2.93%
2018	114,662	114,662	-	2,128,304	5.39%
2017	117,604	117,604	-	2,165,434	5.43%
2016	101,017	101,017	-	1,813,465	5.57%
2015	93,319	93,319	-	1,631,896	5.72%
2014	98,540	98,540	-	1,656,141	5.95%
2013	97,652	97,652	-	1,641,208	5.95%
			-		

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

Town of Tazewell, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2022

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Tazewell, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance
For the Measurement Dates June 30, 2019 through June 30, 2022

	2022	2021	2020	2019
Total OPEB liability				
Service cost	\$ 310,513	\$ 305,088	\$ 208,213	\$ 191,769
Interest	49,469	55,662	75,110	75,837
Effect of economic/demographic gains or losses	-	(441,109)	-	-
Effect of assumptions changes or inputs	(231,751)	(41,694)	129,562	53,071
Benefit payments	(118,650)	(105,033)	(168,278)	(133,386)
Net change in total OPEB liability	\$ 9,581	\$ (227,086)	\$ 244,607	\$ 187,291
Total OPEB liability - beginning	2,038,715	2,265,801	2,021,194	1,833,903
Total OPEB liability - ending	<u>\$ 2,048,296</u>	<u>\$ 2,038,715</u>	<u>\$ 2,265,801</u>	<u>\$ 2,021,194</u>
 Covered employee payroll	 \$ 2,532,012	 \$ 2,532,012	 \$ 2,781,543	 \$ 2,135,889
 Town total OPEB liability (asset) as a percentage of covered payroll	 80.90%	 80.52%	 81.46%	 94.63%

Schedule is intended to show information for 10 years. Information prior to the 2019 valuation is not available. However, additional years will be included as they become available.

Town of Tazewell, Virginia
Notes to Required Supplementary Information - Health Insurance OPEB
For the Year Ended June 30, 2022

Valuation Date: 7/1/2020
Measurement Date: 6/30/2022

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.16% as of June 30, 2021; 3.54% as of June 30, 2022
Inflation	2.50% per year as of June 30, 2021; 2.50% per year as of June 30, 2022
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.80% decreasing to 4.00% over 53 years
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates-General Employees	The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.
Mortality Rates-Public Safety	The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.

Town of Tazewell, 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, 2021

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)
2021	0.18500%	\$ 815,659	\$ N/A	N/A	1.68%
2020	0.16880%	706,876	N/A	N/A	1.02%
2019	0.16039%	575,458	N/A	N/A	0.60%
2018	0.17978%	564,000	N/A	N/A	0.60%
2017	0.19464%	511,000	N/A	N/A	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. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Tazewell, Virginia
Schedule of Employer Contributions
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017 through June 30, 2022

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)
2022	\$ 34,863	\$ 34,863	\$ -	\$ N/A	N/A
2021	25,465	25,465	-	N/A	N/A
2020	22,937	22,937	-	N/A	N/A
2019	21,526	21,526	-	N/A	N/A
2018	19,149	19,149	-	N/A	N/A
2017	20,993	20,993	-	N/A	N/A

*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. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Tazewell, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Other Supplementary Information

Town of Tazewell, Virginia
Combining Statement of Net Position
Proprietary Fund
At June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total Water and Sewer Fund</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 641,597	\$ 1,048,914	\$ 1,690,511
Accounts receivable, net of allowances for uncollectibles	188,164	204,136	392,300
Due from other governmental units	-	8,534	8,534
Prepaid items	1,523	1,523	3,046
Total current assets	\$ 831,284	\$ 1,263,107	\$ 2,094,391
Noncurrent assets:			
Net pension asset	\$ 51,933	\$ 89,311	\$ 141,244
Capital assets:			
Land	-	21,581	21,581
Utility plant and buildings in service	6,483,203	10,787,269	17,270,472
Machinery and equipment	345,018	455,779	800,797
Accumulated depreciation	(3,983,455)	(6,428,506)	(10,411,961)
Construction in progress	98,874	721,936	820,810
Net capital assets	\$ 2,943,640	\$ 5,558,059	\$ 8,501,699
Total noncurrent assets	\$ 2,995,573	\$ 5,647,370	\$ 8,642,943
Total assets	\$ 3,826,857	\$ 6,910,477	\$ 10,737,334
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 46,636	\$ 75,294	\$ 121,930
OPEB related items	20,212	24,653	44,865
Total deferred outflows of resources	\$ 66,848	\$ 99,947	\$ 166,795
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 242,955	\$ 36,013	\$ 278,968
Accrued payroll and related liabilities	12,941	24,496	37,437
Customers' deposits	149,370	-	149,370
Accrued interest payable	3,785	5,672	9,457
Amount due to Tazewell PSA	422,723	-	422,723
Unearned revenue	-	994,816	994,816
General obligation bonds and notes - current portion	18,729	173,544	192,273
Revenue bonds payable - current portion	42,607	-	42,607
Compensated absences - current portion	20,623	39,912	60,535
Total current liabilities	\$ 913,733	\$ 1,274,453	\$ 2,188,186
Noncurrent liabilities:			
General obligation bonds and notes - net of current portion	\$ 449,172	\$ 1,679,350	\$ 2,128,522
Revenue bonds payable - net of current portion	1,190,033	-	1,190,033
Compensated absences - net of current portion	6,874	13,303	20,177
Net OPEB liability	164,128	287,140	451,268
Total noncurrent liabilities	\$ 1,810,207	\$ 1,979,793	\$ 3,790,000
Total liabilities	\$ 2,723,940	\$ 3,254,246	\$ 5,978,186
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 94,270	\$ 156,707	\$ 250,977
OPEB related items	84,931	113,872	198,803
Total deferred inflows of resources	\$ 179,201	\$ 270,579	\$ 449,780
NET POSITION			
Net investment in capital assets	\$ 820,376	\$ 3,705,165	\$ 4,525,541
Restricted	51,933	89,311	141,244
Unrestricted (deficit)	118,255	(308,877)	(190,622)
Total net position	\$ 990,564	\$ 3,485,599	\$ 4,476,163

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

Town of Tazewell, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total Water and Sewer Fund</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 1,827,354	\$ 1,497,316	\$ 3,324,670
Penalties and service charges	4,745	4,953	9,698
Miscellaneous	1,206	2	1,208
Total operating revenues	<u>\$ 1,833,305</u>	<u>\$ 1,502,271</u>	<u>\$ 3,335,576</u>
OPERATING EXPENSES			
Salaries, wages and fringes	\$ 215,173	\$ 428,857	\$ 644,030
Fringe benefits	126,722	214,095	340,817
Insurance	7,136	5,946	13,082
Office supplies	14,303	6,821	21,124
Postage	5,383	5,621	11,004
Telecommunications	4,949	10,577	15,526
Uniforms	921	5,979	6,900
Training	390	3,920	4,310
Maintenance	49,702	56,671	106,373
System evaluation	35,000	58,622	93,622
Equipment	-	9,637	9,637
Motor fuel and oil	16,738	3,481	20,219
Water works fees	5,901	-	5,901
Wastewater fees	-	9,529	9,529
Supplies	136,025	2,287	138,312
Purchased water	848,023	-	848,023
Utilities	39,188	168,179	207,367
Chemicals	-	78,354	78,354
Miscellaneous	20,512	14,240	34,752
Depreciation	125,275	291,586	416,861
Total operating expenses	<u>\$ 1,651,341</u>	<u>\$ 1,374,402</u>	<u>\$ 3,025,743</u>
Operating income (loss)	<u>\$ 181,964</u>	<u>\$ 127,869</u>	<u>\$ 309,833</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 1	\$ 21,952	\$ 21,953
Noncapital grants	35,000	-	35,000
Interest expense	(51,580)	(24,141)	(75,721)
Total nonoperating revenues (expenses)	<u>\$ (16,579)</u>	<u>\$ (2,189)</u>	<u>\$ (18,768)</u>
Income before contributions and transfers	<u>\$ 165,385</u>	<u>\$ 125,680</u>	<u>\$ 291,065</u>
Contributed capital	-	18,924	18,924
Transfers in	7,475	10,993	18,468
Change in net position	<u>\$ 172,860</u>	<u>\$ 155,597</u>	<u>\$ 328,457</u>
Total net position - beginning	817,704	3,330,002	4,147,706
Total net position - ending	<u>\$ 990,564</u>	<u>\$ 3,485,599</u>	<u>\$ 4,476,163</u>

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

Statistical Information

Table 1

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

Fiscal Year	General and Financial Administration		Parks, Recreation, and Cultural				Community Development		Capital Outlay		Debt Service		Total
		Public Safety	Public Works	Recreation, and Cultural	Community Development	Capital Outlay	Debt Service						
2012-13	\$ 708,674	\$ 1,402,518	\$ 1,354,398	\$ 224,035	\$ -	\$ 228,610	\$ 458,402	\$ 4,376,637					
2013-14	735,709	1,445,140	1,289,641	342,256	-	479,339	98,449	4,390,534					
2014-15	749,359	1,596,981	1,764,012	379,408	-	305,786	61,184	4,856,730					
2015-16	846,402	1,961,563	2,379,047	469,937	-	1,112,846	139,807	6,909,602					
2016-17	816,425	2,001,069	1,540,952	514,481	-	1,144,011	136,132	6,153,070					
2017-18	734,404	1,979,222	1,668,430	424,632	728,597	1,294,386	842,845	7,672,516					
2018-19	852,328	2,206,756	1,434,573	523,943	397,942	285,087	62,098	5,762,727					
2019-20	716,265	2,678,111	2,529,642	366,764	127,294	126,194	835,450	7,379,720					
2020-21	790,036	2,827,506	1,833,781	411,379	164,951	380,732	340,608	6,748,993					
2021-22	723,289	3,272,022	1,554,115	389,797	123,449	483,675	45,381	6,591,728					

Restatements have not been applied retroactively.

Table 2

Town of Tazewell, 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 Use of Money and Property			Charges for Services	Refuse Charges	Inter-governmental	Miscellaneous	Total
						Use of	Property					
2012-13	\$ 854,002	\$ 1,069,875	\$ 263,122	\$ 73,316	\$ 2,504			\$ 321,025	\$ 395,795	\$ 1,350,960	\$ 38,552	\$ 4,369,151
2013-14	797,897	1,107,274	252,986	65,190	632			357,001	393,884	1,406,412	75,949	4,457,225
2014-15	855,569	1,274,358	270,571	46,172	308			344,169	398,036	1,529,203	100,637	4,819,023
2015-16	827,328	1,329,286	256,332	55,028	2,463			442,500	389,133	3,392,383	102,006	6,796,459
2016-17	849,414	1,352,602	229,531	53,554	12,558			430,714	340,676	2,452,547	86,051	5,807,647
2017-18	861,739	1,765,128	1,495	50,620	13,685			451,215	378,536	3,017,118	183,716	6,723,252
2018-19	854,944	1,772,854	1,705	46,870	8,424			554,374	391,004	1,397,117	197,721	5,225,013
2019-20	869,972	1,909,351	2,686	23,629	7,865			1,271,888	395,011	1,966,877	129,525	6,576,804
2020-21	992,901	2,106,602	14,286	33,900	12,334			1,365,663	402,420	1,657,967	416,795	7,002,868
2021-22	969,006	2,219,332	12,655	61,211	12,407			1,574,978	434,454	2,056,494	195,101	7,535,638

Table 3

**Town of Tazewell, Virginia
Computation of Legal Debt Margin
At June 30, 2022**

Total assessed value of taxed real property	\$ 276,741,900
Debt limit - 10 percent of total assessed value	27,674,190
Amount of debt applicable to debt limit	<u>(3,553,435)</u>
Legal debt margin	<u>\$ 24,120,755</u>
Total net debt applicable to the limit as percentage of debt limit	12.84%

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 Tazewell, 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 Tazewell, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Tazewell, Virginia's basic financial statements, and have issued our report thereon dated October 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Tazewell, 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 Tazewell, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Tazewell, Virginia's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Blacksburg, Virginia
October 3, 2022