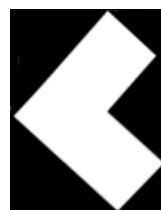


Town of Clarksville, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2021



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

Town of Clarksville, Virginia

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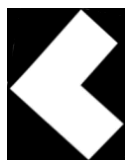
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FINANCIAL SECTION



**Creedle
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Clarksville, Virginia

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Clarksville, Virginia and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and budgetary comparison information and schedules related to pension and OPEB funding on pages 53-55, 56-58, and 59-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2022, on our consideration of the Town of Clarksville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Clarksville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Clarksville, Virginia's internal control over financial reporting and compliance.



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

South Hill, Virginia
October 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Clarksville, Virginia presents the following discussion and analysis as an overview of the Town of Clarksville, Virginia's financial activities for the fiscal year ending June 30, 2021. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$9,376,671. Of this amount, \$4,612,534 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$4,776,938 with an unrestricted balance of \$1,377,906.
- The Town's total net position increased by \$589,140 during the current fiscal year. Of this amount, an increase of \$701,269 is related to governmental activities and a decrease of \$112,129 is attributed to business-type activities.
- As of June 30, 2021, the Town's Governmental Funds reported combined ending fund balances of \$6,019,022, an increase of \$887,110 in comparison with the prior year. Approximately 96.31% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2021 the general fund unassigned fund balance was \$5,080,895, or approximately 246.70% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 6,019,022	\$ 4,616,109	\$ 1,747,185	\$ 1,597,909	\$ 7,766,207	\$ 6,214,018
Capital assets (net)	<u>4,861,945</u>	<u>4,906,780</u>	<u>8,926,325</u>	<u>9,248,321</u>	<u>13,788,270</u>	<u>14,155,101</u>
Total Assets	10,880,967	9,522,889	10,673,510	10,846,230	21,554,477	20,369,119
Deferred Outflows of Resources						
	<u>234,096</u>	<u>213,616</u>	<u>100,326</u>	<u>80,513</u>	<u>334,422</u>	<u>294,129</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,115,063</u>	<u>\$ 9,736,505</u>	<u>\$ 10,773,836</u>	<u>\$ 10,926,743</u>	<u>\$ 21,888,899</u>	<u>\$ 20,663,248</u>
Liabilities						
Other liabilities	\$ 725,841	\$ 322,654	\$ 382,266	\$ 280,793	\$ 1,108,107	\$ 603,446
Long-term liabilities	<u>1,010,877</u>	<u>710,055</u>	<u>5,613,914</u>	<u>5,747,092</u>	<u>6,624,791</u>	<u>6,457,147</u>
Total Liabilities	1,736,718	1,032,709	5,996,180	6,027,885	7,732,898	7,060,594
Deferred Inflows of Resources						
	1,674	28,394	718	9,790	2,392	38,184
Net Position						
Net investment in capital assets	4,569,459	4,571,473	3,399,032	3,488,444	7,968,491	8,059,917
Restricted	194,678	192,075	-	-	194,678	192,075
Unrestricted	<u>4,612,534</u>	<u>3,911,854</u>	<u>1,377,906</u>	<u>1,400,623</u>	<u>5,990,440</u>	<u>5,312,477</u>
Total Net Position	<u>9,376,671</u>	<u>8,675,402</u>	<u>4,776,938</u>	<u>4,889,067</u>	<u>14,153,609</u>	<u>13,564,470</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 11,115,063</u>	<u>\$ 9,736,505</u>	<u>\$ 10,773,836</u>	<u>\$ 10,926,743</u>	<u>\$ 21,888,899</u>	<u>\$ 20,663,248</u>

The Town's combined net position at June 30, 2021 of \$14,153,609 represents an increase of \$589,140 from the combined net position at June 30, 2020. The largest portion, 56.30%, of the Town's net position is reflected in its net investment in capital assets (land, buildings, improvements, etc.). The Town uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. 42.32% of total net position is unrestricted and available for providing services to the citizens of the Town and satisfying creditors. The remaining 1.38% of net position is restricted for other special projects.

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for services	\$ 177,630	\$ 203,853	\$ 1,351,997	\$ 1,364,355	\$ 1,529,627	\$ 1,568,208
Operating grants and contributions	218,319	191,279	30,000	-	248,319	191,279
General Revenues						
General property taxes, real and personal	1,494,666	1,535,547	-	-	1,494,666	1,535,547
Other taxes	930,446	851,901	-	-	930,446	851,901
Categorical aid from state	84,108	106,054	-	-	84,108	106,054
Unrestricted revenues from money and property	23,370	30,358	369	4,808	23,739	35,166
Miscellaneous	29,215	48,579	41,743	28,901	70,958	77,480
Total Revenues	<u>2,957,754</u>	<u>2,967,571</u>	<u>1,424,109</u>	<u>1,398,063</u>	<u>4,381,863</u>	<u>4,365,634</u>
Expenses						
General government administration	474,261	269,885	-	-	474,261	269,885
Public safety	841,720	803,598	-	-	841,720	803,598
Public works	758,151	831,096	-	-	758,151	831,096
Parks, recreation, and cultural	63,319	126,832	-	-	63,319	126,832
Community development	113,019	269,575	-	-	113,019	269,575
Water and sewer	-	-	1,374,889	1,369,281	1,374,889	1,369,281
Interest on long-term debt	6,015	3,073	161,349	219,354	167,364	222,427
Total Expenses	<u>2,256,485</u>	<u>2,304,060</u>	<u>1,536,238</u>	<u>1,588,635</u>	<u>3,792,723</u>	<u>3,892,695</u>
Increase (Decrease) in Net Position before Transfers	701,269	663,511	(112,129)	(190,571)	589,140	472,939
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Position	701,269	663,511	(112,129)	(190,571)	589,140	472,939
Beginning Net Position	<u>8,675,402</u>	<u>8,011,892</u>	<u>4,889,067</u>	<u>5,079,639</u>	<u>13,564,469</u>	<u>13,091,530</u>
Ending Net Position	<u>\$ 9,376,671</u>	<u>\$ 8,675,402</u>	<u>\$ 4,776,938</u>	<u>\$ 4,889,067</u>	<u>\$ 14,153,609</u>	<u>\$ 13,564,470</u>

Governmental activities increased the Town's net position by \$701,269 for fiscal year 2021. Revenues from governmental activities totaled \$2,957,754. General property taxes comprise the largest source of these revenues, totaling \$1,494,666 or 50.53% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$2,256,485. Public safety was the Town's largest program with expenses totaling \$841,720. Public works, which totals \$758,151, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>		<u>2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 474,261	\$ (474,261)	\$ 269,885	\$ (269,885)
Public safety	841,720	(606,514)	803,598	(759,184)
Public works	758,151	(601,908)	831,096	(671,657)
Parks, recreation, and cultural	63,319	(58,819)	126,832	(122,332)
Community development	113,019	(113,019)	269,575	(82,796)
Interest on long-term debt	<u>6,015</u>	<u>(6,015)</u>	<u>3,073</u>	<u>(3,073)</u>
Total	<u>\$ 2,256,485</u>	<u>\$ (1,860,536)</u>	<u>\$ 2,304,060</u>	<u>\$ (1,908,927)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$6,019,022. The combined governmental fund balance increased \$887,110 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$5,080,895. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 246.70% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 1,239,414	\$ 1,239,414	\$ 1,484,584	\$ 1,453,132	\$ 1,453,132	\$ 1,542,532
Other	737,000	737,000	930,446	819,000	819,000	851,901
Permits, privilege fees, and regulatory licenses	1,000	1,000	2,725	1,000	1,000	1,600
Fines and forfeitures	21,500	21,500	22,322	15,500	15,500	42,814
Revenue from use of money and property	33,244	33,244	23,356	32,694	32,694	30,248
Charges for services	154,780	154,780	155,308	153,380	153,380	159,439
Miscellaneous	16,500	16,500	22,855	13,750	13,750	44,285
Intergovernmental	135,870	135,870	302,427	253,192	253,192	293,067
Total Revenues	2,339,308	2,339,308	2,944,023	2,741,648	2,741,648	2,965,886
Expenditures	2,202,719	2,249,352	2,059,516	2,554,029	2,554,029	2,351,451
Excess (Deficiency) of Revenues over Expenditures	136,589	89,956	884,507	187,619	187,619	614,436
Other Financing Sources (Uses)						
Transfers	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance Before Transfer from Surplus	136,589	89,956	884,507	187,619	187,619	614,436
Transfer from Surplus Funds	(136,589)	(89,956)	-	(187,619)	(187,619)	-
Change in Fund Balance	\$ -	\$ -	\$ 884,507	\$ -	\$ -	\$ 614,436

Actual revenues were more than final budget amounts by \$604,715, or 25.85%, while actual expenditures were \$189,836, or 8.44% less than final budget appropriations.

Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2021, include the following:

- Intergovernmental revenues were under budget by \$166,557, while taxes were under budget by \$245,170. The Town did not amend the budget to reflect grant funds received during the year. Furthermore, the original budget did not reflect the increase in personal property tax assessments due to vehicle price increases.
- Public works expenditures were under budget by \$27,463, while community development expenditures were under budget by \$63,881.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the Town's governmental activities net capital assets total \$4,861,945, which represents a net decrease of \$44,834 or 0.91% over the previous fiscal year-end balance. The business-type activities net capital assets total \$8,926,325, a decrease of \$321,996 or 3.48% over the previous fiscal year as summarized in the following table.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 1,089,609	\$ -	\$ 1,089,609
Buildings and improvements	6,096,807	37,275	6,134,082
Furniture, equipment, and vehicles	<u>2,352,678</u>	<u>94,386</u>	<u>2,447,064</u>
Total Capital Assets	9,539,094	131,661	9,670,755
Less: Accumulated depreciation and amortization	<u>(4,632,315)</u>	<u>(176,495)</u>	<u>(4,808,810)</u>
Total Capital Assets, Net	<u>\$ 4,906,779</u>	<u>\$ (44,834)</u>	<u>\$ 4,861,945</u>

Business-Type Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 61,409	\$ -	\$ 61,409
Buildings and systems	16,835,988	81,345	16,917,333
Furniture, equipment, and vehicles	<u>354,847</u>	<u>-</u>	<u>354,847</u>
Total Capital Assets	17,252,244	81,345	17,333,589
Less: Accumulated depreciation and amortization	<u>(8,003,923)</u>	<u>(403,341)</u>	<u>(8,407,264)</u>
Total Capital Assets, Net	<u>\$ 9,248,321</u>	<u>\$ (321,996)</u>	<u>\$ 8,926,325</u>

Long-Term Debt

As of June 30, 2021 the Town's long-term obligations total \$5,819,779.

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities			
General Fund	\$ 335,307	\$ (42,821)	\$ 292,486
Total Governmental Activities	335,307	(42,821)	292,486
Business-Type Activities			
Water Fund	2,633,759	(62,617)	2,571,142
Sewer Fund	<u>3,126,116</u>	<u>(169,965)</u>	<u>2,956,151</u>
Total Business-Type Activities	<u>5,759,875</u>	<u>(232,582)</u>	<u>5,527,293</u>
Total Primary Government	<u>6,095,182</u>	<u>(275,403)</u>	<u>5,819,779</u>

More detailed information on the Town's long-term obligations is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget.

The average unemployment rate for the Town of Clarksville, Virginia in June 2021, which uses Mecklenburg County's rate, was 5.1%. This compares unfavorably to the state's rate of 4.5% and favorably to the national rate of 6.1%.

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

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the Town's operational costs. The fiscal year 2022 adopted budget anticipates General Fund revenues and expenditures to be \$2,041,846, a 12.72% increase over the fiscal year 2021 final budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Town of Clarksville, Virginia

Statement of Net Position

At June 30, 2021

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>EDA of the Town of Clarksville, VA</u>
Assets				
Cash and cash equivalents	\$ 5,945,285	\$ 1,567,913	\$ 7,513,198	\$ 1,020,350
Receivables	73,737	179,272	253,009	-
Capital Assets				
Land and land improvements	1,089,609	61,409	1,151,018	188,267
Other capital assets, net of accumulated depreciation	<u>3,772,336</u>	<u>8,864,916</u>	<u>12,637,252</u>	<u>31,338</u>
Capital Assets, Net	<u>4,861,945</u>	<u>8,926,325</u>	<u>13,788,270</u>	<u>219,605</u>
Total Assets	10,880,967	10,673,510	21,554,477	1,239,955
Deferred Outflows of Resources				
Other post-employment benefits	14,912	6,390	21,302	-
Pension	<u>219,184</u>	<u>93,936</u>	<u>313,120</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>234,096</u>	<u>100,326</u>	<u>334,422</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,115,063</u>	<u>\$ 10,773,836</u>	<u>\$ 21,888,899</u>	<u>\$ 1,239,955</u>
Liabilities				
Accounts payable and accrued expenses	\$ 94,351	\$ 124,673	\$ 219,024	\$ 1,500
Customer deposits	-	24,922	24,922	-
Unearned grants	604,872	-	604,872	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	26,618	232,671	259,289	-
<i>Due in more than one year</i>				
Net pension liability	688,937	295,260	984,197	-
Net other post-employment benefits liability	56,072	24,032	80,104	-
Bonds, loans, and capital leases payable	<u>265,868</u>	<u>5,294,622</u>	<u>5,560,490</u>	<u>-</u>
Total Liabilities	1,736,718	5,996,180	7,732,898	1,500
Deferred Inflows of Resources				
Other post-employment benefits	1,674	718	2,392	-
Pension	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	1,674	718	2,392	-
Net Position				
Net investment in capital assets	4,569,459	3,399,032	7,968,491	219,605
Restricted	194,678	-	194,678	-
Unrestricted	<u>4,612,534</u>	<u>1,377,906</u>	<u>5,990,440</u>	<u>1,018,850</u>
Total Net Position	<u>9,376,671</u>	<u>4,776,938</u>	<u>14,153,609</u>	<u>1,238,455</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 11,115,063</u>	<u>\$ 10,773,836</u>	<u>\$ 21,888,899</u>	<u>\$ 1,239,955</u>

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

Town of Clarksville, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit EDA of the Town of Clarksville, VA
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government administration	\$ 474,261	\$ -	\$ -	\$ -	\$ (474,261)		\$ (474,261)	\$ -
Public safety	841,720	22,322	212,884	-	(606,514)		(606,514)	-
Public works	758,151	155,308	935	-	(601,908)		(601,908)	-
Parks, recreation, and cultural	63,319	-	4,500	-	(58,819)		(58,819)	-
Community development	113,019	-	-	-	(113,019)		(113,019)	-
Interest on long-term debt	6,015	-	-	-	(6,015)		(6,015)	-
Total Governmental Activities	2,256,485	177,630	218,319	-	(1,860,536)		(1,860,536)	-
Business-Type Activities								
Water	691,922	569,074	-	-		(122,848)	(122,848)	-
Sewer	844,316	782,923	30,000	-		(31,393)	(31,393)	-
Total Business-Type Activities	1,536,238	1,351,997	30,000	-		(154,241)	(154,241)	-
Total Primary Government	\$ 3,792,723	\$ 1,529,627	\$ 248,319	\$ -			(2,014,777)	
Component Unit								
EDA of the Town of Clarksville, VA	\$ 72,146	\$ -	\$ -	\$ -				(72,146)
General Revenues								
Taxes								
General property taxes, real and personal					1,494,666	-	1,494,666	-
Other local taxes					930,446	-	930,446	-
Grants and contributions not restricted to specific programs					84,108	-	84,108	-
Unrestricted revenues from use of money and property					23,370	369	23,739	-
Miscellaneous					29,215	41,743	70,958	727
Transfers								
Total General Revenues and Transfers					2,561,805	42,112	2,603,917	727
Change in Net Position					701,269	(112,129)	589,140	(71,419)
Net Position - Beginning of Year					8,675,402	4,889,067	13,564,469	1,309,874
Net Position - End of Year					\$ 9,376,671	\$ 4,776,938	\$ 14,153,609	\$ 1,238,455

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

Town of Clarksville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2021

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 5,750,607	\$ 194,678	\$ 5,945,285
Property taxes receivable	44,226	-	44,226
Other receivables	<u>29,511</u>	<u>-</u>	<u>29,511</u>
Total Assets	<u>\$ 5,824,344</u>	<u>\$ 194,678</u>	<u>\$ 6,019,022</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 94,351	\$ -	\$ 94,351
Unavailable revenue - unearned grants	<u>604,872</u>	<u>-</u>	<u>604,872</u>
Total Liabilities	699,223	-	699,223
Deferred Inflows of Resources			
Unavailable revenue property taxes	<u>44,226</u>	<u>-</u>	<u>44,226</u>
Total Deferred Inflows of Resources	44,226	-	44,226
Fund Balance			
Restricted	-	194,678	194,678
Unassigned	<u>5,080,895</u>	<u>-</u>	<u>5,080,895</u>
Total Fund Balance	<u>5,080,895</u>	<u>194,678</u>	<u>5,275,573</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 5,824,344</u>	<u>\$ 194,678</u>	<u>\$ 6,019,022</u>

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

Town of Clarksville, Virginia

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

At June 30, 2021

Total Fund Balances for Governmental Funds \$ 5,275,573

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

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

Land	\$ 1,089,609
Buildings and improvements, net of accumulated depreciation	3,523,410
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>248,926</u>

Total Capital Assets 4,861,945

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

Unavailable revenue 44,226

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

Deferred outflows of resources related to pensions	219,184
Deferred outflows of resources related to group life	14,912
Deferred inflows of resources related to pensions	-
Deferred inflows of resources related to group life	<u>(1,674)</u>

Total Deferred Outflows and Inflows of Resources 232,422

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

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

Bonds and notes payable	(292,486)
Net pension liability	(688,937)
Net Other post-employment liability	<u>(56,072)</u>

Total (1,037,495)

Total Net Position of Governmental Activities \$ 9,376,671

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

Town of Clarksville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 1,484,584	\$ -	\$ 1,484,584
Other local taxes	930,446	-	930,446
Permits, privilege fees, and regulatory licenses	2,725	-	2,725
Fines and forfeitures	22,322	-	22,322
Use of money and property	23,356	14	23,370
Charges for services	155,308	-	155,308
Miscellaneous	22,855	3,635	26,490
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	151,004	-	151,004
Revenue from the Federal Government	151,423	-	151,423
Total Revenues	2,944,023	3,649	2,947,672
Expenditures			
Current			
General government administration	457,610	-	457,610
Public safety	765,543	-	765,543
Public works	672,231	-	672,231
Parks, recreation, and cultural	78,877	1,046	79,923
Community development	36,419	-	36,419
Debt service	48,836	-	48,836
Total Expenditures	2,059,516	1,046	2,060,562
Excess (Deficiency) of Revenues Over Expenditures	884,507	2,603	887,110
Other Financing Sources (Uses)			
Transfers	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	884,507	2,603	887,110
Fund Balance - Beginning of Year	4,196,388	192,075	4,388,463
Fund Balance - End of Year	\$ 5,080,895	\$ 194,678	\$ 5,275,573

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

Town of Clarksville, Virginia

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

Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	887,110
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

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

Capitalized assets	\$	175,896	
Depreciation		<u>(220,730)</u>	
			(44,834)

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

10,082

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

Repayments on debt		<u>42,821</u>	
Net Adjustment			42,821

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

Net pension liability		(238,017)	
Deferred inflows - VRS pension		24,978	
Deferred outflows - VRS pension		18,924	
Deferred outflows - OPEB		1,555	
Deferred inflows - OPEB		1,742	
Other postemployment benefits		<u>(3,092)</u>	
			<u>(193,910)</u>

Change in Net Position of Governmental Activities	\$	<u>701,269</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Clarksville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2021

	<u>Water Fund</u>	<u>Business-Type Activities - Enterprise Funds Sewer Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 948,336	\$ 619,577	\$ 1,567,913
Accounts receivable	70,080	109,192	179,272
Total Current Assets	1,018,416	728,769	1,747,185
Noncurrent Assets			
Capital assets, net	3,565,473	5,360,852	8,926,325
Total Noncurrent Assets	3,565,473	5,360,852	8,926,325
Total Assets	4,583,889	6,089,621	10,673,510
Deferred Outflows of Resources			
Other post-employment benefits	2,982	3,408	6,390
Pension	43,837	50,099	93,936
Total Deferred Outflows	46,819	53,507	100,326
Total Assets and Deferred Outflows of Resources	<u>\$ 4,630,708</u>	<u>\$ 6,143,128</u>	<u>\$ 10,773,836</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 86,388	\$ 38,285	\$ 124,673
Customer deposits	24,922	-	24,922
Short-term portion of debt	64,685	167,986	232,671
Total Current Liabilities	175,995	206,271	382,266
Noncurrent Liabilities			
Long-term portion of debt	2,506,457	2,788,165	5,294,622
Net pension liability	137,788	157,472	295,260
Net other post-employment benefits liability	11,215	12,817	24,032
Total Noncurrent Liabilities	2,655,460	2,958,454	5,613,914
Total Liabilities	2,831,455	3,164,725	5,996,180
Deferred Inflows of Resources			
Other post-employment benefits	335	383	718
Pension	-	-	-
Total Deferred Inflows	335	383	718
Net Position			
Net investment in capital assets	994,331	2,404,701	3,399,032
Unrestricted	804,587	573,319	1,377,906
Total Net Position	1,798,918	2,978,020	4,776,938
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,630,708</u>	<u>\$ 6,143,128</u>	<u>\$ 10,773,836</u>

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

Town of Clarksville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2021

	<u>Water Fund</u>	<u>Business-Type Activities - Enterprise Funds Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 563,114	\$ 782,923	\$ 1,346,037
Penalties	5,960	-	5,960
Operating grants	-	30,000	30,000
Miscellaneous	17,603	24,140	41,743
	<u>586,677</u>	<u>837,063</u>	<u>1,423,740</u>
Total Operating Revenues	586,677	837,063	1,423,740
Operating Expenses			
Town Manager	15,886	15,771	31,657
Administration	100,587	98,288	198,875
Line maintenance	76,084	38,506	114,590
Water treatment	249,512	-	249,512
Waste water treatment	-	300,761	300,761
Lift stations	-	76,153	76,153
Depreciation	176,595	226,746	403,341
	<u>618,664</u>	<u>756,225</u>	<u>1,374,889</u>
Total Operating Expenses	618,664	756,225	1,374,889
Operating Income (Loss)	(31,987)	80,838	48,851
Nonoperating Revenues (Expenses)			
Interest income	339	30	369
Interest expense	(73,258)	(88,091)	(161,349)
	<u>(72,919)</u>	<u>(88,061)</u>	<u>(160,980)</u>
Total Nonoperating Revenues (Expenses)	(72,919)	(88,061)	(160,980)
Other Financing Sources (Uses)			
Transfers	(11,250)	11,250	-
	<u>(11,250)</u>	<u>11,250</u>	<u>-</u>
Total Other Financing Sources (Uses)	(11,250)	11,250	-
Change in Net Position	(116,156)	4,027	(112,129)
Total Net Position - Beginning of Year	1,915,074	2,973,993	4,889,067
Total Net Position - End of Year	<u>\$ 1,798,918</u>	<u>\$ 2,978,020</u>	<u>\$ 4,776,938</u>

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

Town of Clarksville, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 571,986	\$ 788,727	\$ 1,360,713
Other receipts	17,603	54,140	71,743
Payments to personnel, suppliers and other operating costs	<u>(328,586)</u>	<u>(468,475)</u>	<u>(797,061)</u>
Net Cash Provided by Operating Activities	261,003	374,392	635,395
Cash Flows from Noncapital Financing Activities			
Transfer from other funds	<u>(11,250)</u>	<u>11,250</u>	<u>-</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(11,250)	11,250	-
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(81,345)	-	(81,345)
Principal paid on capital debt	(62,617)	(169,965)	(232,582)
Interest paid on capital debt	<u>(73,258)</u>	<u>(88,091)</u>	<u>(161,349)</u>
Net Cash Used in Capital and Related Financing Activities	(217,220)	(258,056)	(475,276)
Cash Flows from Investing Activities			
Interest income	<u>339</u>	<u>30</u>	<u>369</u>
Net Increase in Cash and Cash Equivalents	32,872	127,616	160,488
Cash and Cash Equivalents - Beginning of Year	<u>915,464</u>	<u>491,961</u>	<u>1,407,425</u>
Cash and Cash Equivalents - End of Year	<u>\$ 948,336</u>	<u>\$ 619,577</u>	<u>\$ 1,567,913</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (31,987)	\$ 80,838	\$ 48,851
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>			
Depreciation expense	176,595	226,746	403,341
<i>Changes in assets and liabilities</i>			
Accounts receivable	5,408	5,804	11,212
Accounts payable and accrued expenses	69,990	17,729	87,719
Customer deposits	(2,496)	-	(2,496)
Deferred outflows - pension	(7,013)	(12,134)	(19,147)
Deferred outflows - other post employment benefits	(349)	(317)	(666)
Net pension liability	55,611	59,676	115,287
Net other post-employment benefits liability	(86)	455	369
Deferred inflows - pension	(4,330)	(3,996)	(8,326)
Deferred inflows - other post-employment benefits	<u>(340)</u>	<u>(409)</u>	<u>(749)</u>
Net Cash Provided by Operating Activities	<u>\$ 261,003</u>	<u>\$ 374,392</u>	<u>\$ 635,395</u>

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

Town of Clarksville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2021

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

1-A. Financial Reporting Entity

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

Individual Component Unit Disclosures

Discretely Presented Component Unit

Economic Development Authority of the Town of Clarksville, Virginia

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

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

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

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

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

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

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

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

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

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

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

Real and Personal Property Tax Data

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

Real Property Personal Property

Lewy	July 1	July 1
Due Date	February 1	February 1

The Town bills and collects its own property taxes.

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

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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

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

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

1-E-7 Pensions

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

1-E-8 Group Life Insurance

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

1-E-9 Fund Equity

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

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

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

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

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

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

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

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

1-E-10 Operating Revenues and Expenses

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

1-E-11 Interfund Activity

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

1-E-12 Long-Term Obligations

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

1-E-13 Adoption of New GASB Statements

During the fiscal year ended June 30, 2021, the Town adopted the following GASB statement:

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for the fiscal year ending June 30, 2021 for the Town.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component unit.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Fund Deficits

No funds had fund deficits.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the Veteran's Memorial Fund at June 30, 2021.

3 Deposits and Investments

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Custodial Credit Risk

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

Interest Rate Risk

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

The Town's investments consist of the following:

	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>
Money market mutual funds	\$ 168,581	Less than 1 year
Certificates of deposit	<u>151,686</u>	Less than 1 year
	<u>\$ 320,267</u>	

Credit Risk

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

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

<u>Rating (Moody's or S&P)</u>	<u>Fair Value</u>
Unrated	\$ <u>320,267</u>
	<u>\$ 320,267</u>

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

	<u>Component Unit</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>EDA of the Town of Clarksville, Virginia</u>	<u>Total</u>
Deposits and Investments				
Cash on hand	\$ 175	\$ -	\$ -	\$ 175
Demand deposits	5,854,603	1,506,734	1,020,350	8,381,687
Certificates of deposit	90,507	61,179	-	151,686
	<u>\$ 5,945,285</u>	<u>\$ 1,567,913</u>	<u>\$ 1,020,350</u>	<u>\$ 8,533,548</u>
Statement of Net Position				
Deposits and Investments				
Cash and cash equivalents	\$ 5,945,285	\$ 1,567,913	\$ 1,020,350	\$ 8,533,548
	<u>\$ 5,945,285</u>	<u>\$ 1,567,913</u>	<u>\$ 1,020,350</u>	<u>\$ 8,533,548</u>

4 Receivables

Receivables at June 30, 2021 consist of the following:

	<u>Primary Government</u>				
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>General</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Property taxes	\$ 44,226	\$ 44,226	\$ -	\$ -	\$ -
Water and sewer	-	-	70,080	109,192	179,272
Garbage receivables	20,404	20,404	-	-	-
Other misc. receivables	9,107	9,107	-	-	-
Total Receivables	<u>\$ 73,737</u>	<u>\$ 73,737</u>	<u>\$ 70,080</u>	<u>\$ 109,192</u>	<u>\$ 179,272</u>

5 Interfund Balances and Activity

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

	<u>Transfer From</u>	<u>Transfer To</u>
Proprietary Funds		
From Water Fund to Sewer Fund for operating costs	\$ (11,250)	\$ 11,250
Total	<u>\$ (11,250)</u>	<u>\$ 11,250</u>

6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,089,609	\$ -	\$ -	\$ 1,089,609
Total Capital Assets Not Being Depreciated	1,089,609	-	-	1,089,609
Other Capital Assets				
Buildings and improvements	6,096,807	37,275	-	6,134,082
Furniture, equipment, and vehicles	2,352,678	138,621	44,235	2,447,064
Total Other Capital Assets	8,449,485	175,896	44,235	8,581,146
Less: Accumulated depreciation for				
Buildings and improvements	2,457,421	153,251	-	2,610,672
Furniture, equipment, and vehicles	2,174,894	67,479	44,235	2,198,138
Total Accumulated Depreciation	4,632,315	220,730	44,235	4,808,810
Other Capital Assets, Net	3,817,170	(44,834)	-	3,772,336
Net Capital Assets	\$ 4,906,779	\$ (44,834)	\$ -	\$ 4,861,945

Depreciation expense was allocated as follows:

General government administration	\$ 69,448
Public safety	39,182
Public works	33,319
Parks, recreation, and cultural	2,181
Community development	76,600
Total Depreciation Expense	\$ 220,730

Business-Type Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 61,409	\$ -	\$ -	\$ 61,409
Total Capital Assets Not Being Depreciated	61,409	-	-	61,409
Other Capital Assets				
Buildings and systems	16,835,988	81,345	-	16,917,333
Furniture, equipment, and vehicles	354,847	-	-	354,847
Total Other Capital Assets	17,190,835	81,345	-	17,272,180
Less: Accumulated depreciation for				
Buildings and systems	7,586,456	400,191	-	7,986,647
Furniture, equipment, and vehicles	417,467	3,150	-	420,617
Total Accumulated Depreciation	8,003,923	403,341	-	8,407,264
Other Capital Assets, Net	9,186,912	(321,996)	-	8,864,916
Net Capital Assets	\$ 9,248,321	\$ (321,996)	\$ -	\$ 8,926,325

Depreciation expense was allocated as follows:

Water Fund	\$ 176,595
Sewer Fund	226,746
Total Depreciation Expense	\$ 403,341

Component Unit - EDA of the Town of Clarksville, VA

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ 466,358	\$ -	\$ 278,091	\$ 188,267
Total Capital Assets Not Being Depreciated	466,358	-	278,091	188,267
Other Capital Assets				
Buildings	162,474	-	162,474	-
Land improvements	663,895	-	630,640	33,255
Total Other Capital Assets	826,369	-	793,114	33,255
Less: Accumulated depreciation for				
Buildings	59,092	1,563	60,655	-
Land improvements	65,297	1,308	64,688	1,917
Total Accumulated Depreciation	124,389	2,871	125,343	1,917
Other Capital Assets, Net	701,980	(2,871)	667,771	31,338
Net Capital Assets	\$ 1,168,338	\$ (2,871)	\$ 945,862	\$ 219,605

7 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities General Bonds Payable		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 26,618	\$ 5,300	\$ 222,232	\$ 177,578
2023	21,377	4,873	225,173	168,049
2024	21,784	4,466	228,279	159,026
2025	22,199	4,050	238,769	148,314
2026	22,623	3,627	249,962	138,009
2027-2031	119,749	11,499	1,363,532	534,650
2032-2036	58,136	1,377	1,653,160	274,533
2037-2041	-	-	366,524	106,596
2042-2046	-	-	306,172	68,091
2047-2051	-	-	297,980	40,360
2052-2056	-	-	276,955	11,288
Total	<u>\$ 292,486</u>	<u>\$ 35,192</u>	<u>\$ 5,428,738</u>	<u>\$ 1,826,494</u>

Changes in Long-Term Debt

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

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Due Within One Year
Primary Government					
Governmental Activities					
General Fund					
Bond Series 2014A with Benchmark Bank with annual payments of \$26,249.77 beginning on June 30, 2016, interest at 1.89%, maturity date of June 30, 2034.	\$ 307,384	\$ -	\$ 20,539	\$ 286,845	\$ 20,977
\$149,000.00 General Obligation Revolving Bond Series 2014B with Benchmark Bank with annual payments of \$22,586.67 beginning on June 30, 2016 with interest at 1.69% and maturity date of June 30, 2022.	27,923	-	22,282	5,641	5,641
Total Governmental Activities	335,307	-	42,821	292,486	26,618
Business-Type Activities					
Water Fund					
\$517,497.95 Virginia Revolving Loan Fund, WSL-20-11 Water System Improvement Loan payable semi-annually June 1 and December 1 of each year to include interest at the rate of 3.00% starting June 1, 2013 and ending December 1, 2042.	431,415	-	13,828	417,587	14,246
Virginia Resource Authority Infrastructure and State Moral Obligation Revenue Bonds, Series 2015B original principal of \$2,170,000 due October 1, 2035; semi-annual payments due October (principal and interest) and April (interest only) with interest ranging from 3.125% to 5.125%; the proceeds were used to payoff an outstanding General Obligation Water & Sewer Bond	2,080,000	-	25,000	2,055,000	40,000
Total	2,511,415	-	38,828	2,472,587	54,246
ADD					
Unamortized Premium on Bond Series 2015B	122,344	-	23,789	98,555	10,439
Total Water Fund	2,633,759	-	62,617	2,571,142	64,685

	<u>Balance July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Sewer Fund					
\$220,000.00 Virginia Revolving Loan Fund, Water and Sewer Bonds Series 2001 issued October 19, 2001, interest at 4.50% payable semi-annually in installments of \$8,532.80 until August 1, 2021.	24,488	-	16,143	8,345	8,345
Virginia Resource Authority Sewer System General Obligation Revenue Refunding Bond, Series 2012 original principal of \$1,820,000 due November 1, 2032; semi-annual payments due October and April (interest only) with interest ranging from 2.25% to 5.15%. The proceeds were used to payoff the Virginia Pooled Financing Program, Series 2004.	1,325,000	-	110,000	1,215,000	115,000
\$79,980.00 General Obligation Bond Series 2013 with Carter Bank & Trust dated July 31, 2013. Payable in monthly installments of \$735.96, interest at 2.00%	26,381	-	8,381	18,000	8,535
Rural Development Sewer Improvement Loan issued October 29, 2015 payable in 480 monthly installments of \$5,663.00, interest at 1.875%. Maturity date September 22, 2055.	<u>1,750,247</u>	<u>-</u>	<u>35,441</u>	<u>1,714,806</u>	<u>36,106</u>
Total Sewer Fund	<u>3,126,116</u>	<u>-</u>	<u>169,965</u>	<u>2,956,151</u>	<u>167,986</u>
Total Business-Type Activities	<u>5,759,875</u>	<u>-</u>	<u>232,582</u>	<u>5,527,293</u>	<u>232,671</u>
Total Primary Government	<u>\$ 6,095,182</u>	<u>\$ -</u>	<u>\$ 275,403</u>	<u>\$ 5,819,779</u>	<u>\$ 259,289</u>

8 Debt Refunding

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

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

9 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2021 is determined as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit EDA</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 9,670,755	\$ 17,333,589	\$ 221,522
Less: Accumulated depreciation	<u>(4,808,810)</u>	<u>(8,407,264)</u>	<u>-</u>
Book value	4,861,945	8,926,325	221,522
Less: Capital related debt	<u>(292,486)</u>	<u>(5,527,293)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 4,569,459</u>	<u>\$ 3,399,032</u>	<u>\$ 221,522</u>

10 Deferred Inflows of Resources and Unearned Revenue

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

Governmental Funds - General Fund

Deferred Inflows of Resources

Delinquent taxes not collected within 60 days	\$	44,226
Totals	\$	<u>44,226</u>

Unearned Revenues

Unearned grant revenue - CARES Act (COVID)	\$	604,872
Total Unearned Revenues	\$	<u>604,872</u>

11 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

Surety bond coverage is as follows:

United States Fidelity and Guaranty Company

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

12 Commitments and Contingencies

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

13 Litigation

At June 30, 2021, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

14 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$ 172,997,319
Debt Limit per Constitution of Virginia - 10% Assessed Value	\$ 17,299,732
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	3,580,486
Legal Debt Margin - June 30, 2021	\$ 13,719,246

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

15 Pension Plan

Plan Description

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

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

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RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Same as Plan 1.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

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

Service Credit

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

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

Service Credit

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

Distribution not required, except as governed by law .

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	15
Inactive members:	
Vested inactive members	2
Non-vested inactive members	5
LTD	0
Inactive members active elsewhere in VRS	<u>16</u>
Total inactive members	23
Active members	<u>24</u>
Total covered employees	<u>62</u>

Contributions

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

If the employer used the certified rate: The Town of Clarksville, Virginia's contractually required contribution rate for the year ended June 30, 2021 was 13.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Clarksville, Virginia were \$133,732 and \$117,547 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town of Clarksville, Virginia, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 4,171,534	\$ 3,540,644	\$ 630,890
Changes for the Year			
Service cost	119,279	-	119,279
Interest	276,705	-	276,705
Benefit changes	168,716	-	168,716
Assumption changes	-	-	-
Differences between expected and actual experience	17,370	-	17,370
Contributions - employer	-	114,939	(114,939)
Contributions - employee	-	47,843	(47,843)
Net investment income	-	68,307	(68,307)
Benefit payments, including refunds of employee contributions	(144,399)	(144,399)	-
Administrative expenses	-	(2,244)	2,244
Other changes	-	(82)	82
Net Changes	<u>437,671</u>	<u>84,364</u>	<u>353,307</u>
Balances at June 30, 2020	<u>\$ 4,609,205</u>	<u>\$ 3,625,008</u>	<u>\$ 984,197</u>

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

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

	<u>1.00% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1.00% Increase 7.75%</u>
Political subdivision's Net Pension Liability	\$ 1,600,590	\$ 984,197	\$ 473,616

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

For the year ended June 30, 2021, the Town of Clarksville, Virginia recognized pension expense of \$413,056. At June 30, 2021, the Town of Clarksville, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,821	\$ -
Change in assumptions	38,811	-
Net difference between projected and actual earnings on pension plan investments	107,756	-
Employer contributions subsequent to the measurement date	<u>133,732</u>	<u>-</u>
Total	<u>\$ 313,120</u>	<u>\$ -</u>

\$133,732 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended		
<u>June 30,</u>		
2022	\$	69,671
2023		39,185
2024		36,288
2025		34,244
2026		-
Thereafter		-

Pension Plan Data

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

16 Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

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

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

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

Benefit Amounts

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

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

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$5,353 and \$5,142 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entities reported a liability of \$80,104 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .00480% as compared to .00471% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$4,109. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,138	\$ 719
Net difference between projected and actual earnings on GLI OPEB program investments	2,406	-
Change in assumptions	4,006	1,673
Changes in proportionate share	4,399	-
Employer contributions subsequent to the measurement date	<u>5,353</u>	<u>-</u>
Total	<u>\$ 21,302</u>	<u>\$ 2,392</u>

\$5,353 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2022	\$ 2,261
2023	2,941
2024	3,561
2025	3,588
2026	1,112
Thereafter	94

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ 105,303	\$ 80,104	\$ 59,640

Group Life Insurance Program Fiduciary Net Position

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

17 Fund Balances – Governmental Funds

As of June 30, 2021 fund balances are composed of the following:

	General Fund	Police Asset Forfeiture	Veteran's Memorial	Cemetery Fund	Total Governmental Funds
Assigned for specific projects	\$ -	\$ 10,576	\$ 12,686	\$ 171,416	\$ 194,678
Unassigned	5,080,895	-	-	-	5,080,895
	<u>\$ 5,080,895</u>	<u>\$ 10,576</u>	<u>\$ 12,686</u>	<u>\$ 171,416</u>	<u>\$ 5,275,573</u>

18 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through October 5, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Clarksville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 446,208	\$ 446,208	\$ 465,080	\$ 18,872
Personal property taxes	770,706	770,706	993,155	222,449
Public service corporation property taxes	20,500	20,500	17,027	(3,473)
Interest on taxes	1,000	1,000	3,669	2,669
Penalties on taxes	1,000	1,000	5,653	4,653
Total General Property Taxes	1,239,414	1,239,414	1,484,584	245,170
Other Local Taxes				
Local sales and use taxes	65,000	65,000	94,431	29,431
Consumer utility tax	60,000	60,000	63,236	3,236
Business license taxes	108,100	108,100	144,175	36,075
Franchise taxes	2,100	2,100	1,284	(816)
Motor vehicle licenses	12,000	12,000	13,892	1,892
Bank franchise tax	74,800	74,800	100,002	25,202
Meals tax	345,000	345,000	402,948	57,948
Lodging tax	70,000	70,000	110,478	40,478
Total Other Local Taxes	737,000	737,000	930,446	193,446
Permits, Privilege Fees, and Regulatory Licenses				
Other permits, licenses, and fees	1,000	1,000	2,725	1,725
Total Permits, Privilege Fees, and Regulatory Licenses	1,000	1,000	2,725	1,725
Fines and Forfeitures				
	21,500	21,500	22,322	822
Revenue from Use of Money and Property				
Revenue from use of money	1,500	1,500	982	(518)
Revenue from sale of property	1,000	1,000	845	(155)
Revenue from use of property	30,744	30,744	21,529	(9,215)
Total Revenue from Use of Money and Property	33,244	33,244	23,356	(9,888)
Charges for Services				
Sanitation and waste removal	153,230	153,230	154,427	1,197
Miscellaneous charges for services	1,550	1,550	881	(669)
Total Charges for Services	154,780	154,780	155,308	528

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Miscellaneous				
Miscellaneous	8,000	8,000	22,855	14,855
Community Center	8,500	8,500	-	(8,500)
Total Miscellaneous	16,500	16,500	22,855	6,355
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
PPTRA Funds	54,356	54,356	54,356	-
Communication tax	30,000	30,000	26,611	(3,389)
Auto rental sales tax	1,200	1,200	2,151	951
Rolling stock taxes - motor vehicle carriers tax	1,000	1,000	990	(10)
Total Noncategorical Aid	86,556	86,556	84,108	(2,448)
<i>Categorical Aid</i>				
Virginia Commission for the Arts	4,500	4,500	4,500	-
Litter Control Grant	814	814	935	121
Law Enforcement Assistance	34,000	34,000	37,654	3,654
Dept. of Emergency Management - Hurricane Florence	-	-	8,807	8,807
Fire Department Grant	10,000	10,000	15,000	5,000
Total Categorical Aid	49,314	49,314	66,896	17,582
Total Revenue from the Commonwealth of Virginia	135,870	135,870	151,004	15,134
Revenue from the Federal Government				
DMV Selective Enforcement Grant	-	-	3,084	3,084
Coronavirus relief fund	-	-	125,063	125,063
Dept. of Emergency Management - Hurricane Florence	-	-	23,276	23,276
Total Revenue from the Federal Government	-	-	151,423	151,423
Total Intergovernmental Revenue	135,870	135,870	302,427	166,557
Total Revenues	2,339,308	2,339,308	2,944,023	604,715
Expenditures				
Current				
<i>General Government Administration</i>				
Mayor and Council fees	5,392	5,392	4,345	1,047
Administrative	404,236	438,491	376,181	62,310
Treasurer	90,179	90,179	77,084	13,095
Total General Government Administration	499,807	534,062	457,610	76,452

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Police Department	702,547	714,925	710,489	4,436
Fire and rescue services	<u>41,785</u>	<u>41,785</u>	<u>55,054</u>	<u>(13,269)</u>
Total Public Safety	744,332	756,710	765,543	(8,833)
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	192,318	192,318	93,355	98,963
Sanitation	223,833	223,833	209,611	14,222
Maintenance of buildings and grounds	<u>283,543</u>	<u>283,543</u>	<u>369,265</u>	<u>(85,722)</u>
Total Public Works	699,694	699,694	672,231	27,463
<i>Parks, Recreation, and Cultural</i>				
Regional library	13,950	13,950	11,749	2,201
Parks and recreation	62,600	62,600	41,762	20,838
Cemetery	5,000	5,000	3,554	1,446
Community Center	<u>28,200</u>	<u>28,200</u>	<u>21,812</u>	<u>6,388</u>
Total Parks, Recreation, and Cultural	109,750	109,750	78,877	30,873
<i>Community Development</i>				
Planning and community development	88,500	88,500	29,723	58,777
Cooperative extension	<u>11,800</u>	<u>11,800</u>	<u>6,696</u>	<u>5,104</u>
Total Community Development	100,300	100,300	36,419	63,881
<i>Debt Service</i>	<u>48,836</u>	<u>48,836</u>	<u>48,836</u>	<u>-</u>
Total Expenditures	<u>2,202,719</u>	<u>2,249,352</u>	<u>2,059,516</u>	<u>189,836</u>
Excess (Deficiency) of Revenues Over Expenditures	136,589	89,956	884,507	794,551
Other Financing Sources (Uses)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance Before Transfer from Surplus	136,589	89,956	884,507	794,551
Transfer from (to) Surplus Funds	<u>(136,589)</u>	<u>(89,956)</u>	<u>-</u>	<u>89,956</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	884,507	<u>\$ 884,507</u>
Fund Balance - Beginning of Year			<u>4,196,388</u>	
Fund Balance - End of Year			<u>\$ 5,080,895</u>	

Town of Clarksville, Virginia

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

For the Plan Years Ended June 30

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

Town of Clarksville, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	133,732	133,732	-	991,345	13.49%
2020	117,547	117,547	-	1,141,356	10.30%
2019	77,098	77,098	-	1,091,137	7.07%
2018	64,139	64,139	-	983,390	6.52%
2017	61,650	61,650	-	962,828	6.40%
2016	71,528	71,528	-	809,939	8.83%
2015	60,449	60,449	-	762,118	7.93%
2014	58,044	58,044	-	705,137	8.23%
2013	52,304	52,304	-	737,425	7.09%
2012	42,470	42,470	-	643,150	6.60%

For Reference Only:

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

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

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

Town of Clarksville, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Town of Clarksville, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Plan For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

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

Schedule is intended to show information for 10 years.

Since 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 128 of the VRS 2020 Annual Report.

Town of Clarksville, Virginia

Schedule of Employer Contributions

OPEB Group Life Insurance Plan

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 5,353	\$ 5,353	\$ -	\$ 991,344	0.54%
2020	5,142	5,142	-	988,875	0.52%
2019	4,796	4,796	-	922,225	0.52%
2018	4,361	4,361	-	838,577	0.52%
2017	4,229	4,229	-	813,181	0.52%
2016	3,880	3,880	-	808,256	0.48%
2015	3,578	3,578	-	745,322	0.48%
2014	3,548	3,548	-	739,210	0.48%
2013	3,270	3,270	-	681,182	0.48%
2012	1,912	1,912	-	682,813	0.28%

For Reference Only:

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

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

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

Town of Clarksville, Virginia

Notes to Required Supplementary Information – OPEB GLI

For the Year Ended June 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

Town of Clarksville, Virginia

Budgetary Comparison Schedule

Special Revenue Funds

June 30, 2021

Police Asset Forfeiture

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ 500	\$ 500	\$ -	\$ (500)
Intergovernmental				
From the Commonwealth of Virginia	-	-	-	-
Total Revenues	500	500	-	(500)
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	500	500	-	(500)
Other Financing Sources (Uses)				
Contingency/surplus	(500)	(500)	-	500
Total Other Financing Sources (Uses)	(500)	(500)	-	500
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			10,576	
Fund Balance - End of Year			<u>\$ 10,576</u>	

Veteran's Memorial

Variance
With
Final Budget
Positive
(Negative)

Revenues

Use of money and property	\$ 100	\$ 100	\$ 13	\$ (87)
Miscellaneous	1,000	1,000	900	(100)
Total Revenues	1,100	1,100	913	(187)

Expenditures

Parks, recreation, and cultural	500	500	1,046	(546)
Total Expenditures	500	500	1,046	(546)

Excess (Deficiency) of Revenues Over Expenditures	600	600	(133)	(733)
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Other Financing Sources (Uses)

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

Net Change in Fund Balance	\$ -	\$ -	(133)	\$ (133)
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Fund Balance - Beginning of Year			12,819	
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Fund Balance - End of Year			\$ 12,686	
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Cemetery Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ 500	\$ 500	\$ 1	\$ (499)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>2,735</u>	<u>1,735</u>
Total Revenues	1,500	1,500	2,736	1,236
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	1,500	1,500	2,736	1,236
Other Financing Sources (Uses)				
Prior year surplus	(1,000)	(1,000)	-	1,000
Transfer In (Out)	<u>(500)</u>	<u>(500)</u>	<u>-</u>	<u>500</u>
Total Other Financing Sources (Uses)	(1,500)	(1,500)	-	1,500
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	2,736	<u>\$ 2,736</u>
Fund Balance - Beginning of Year			<u>168,680</u>	
Fund Balance - End of Year			<u>\$ 171,416</u>	

Town of Clarksville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2021

	<u>Special Revenue Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Police Asset Forfeiture</u>	<u>Veteran's Memorial</u>	<u>Cemetery Fund</u>	
Assets				
Cash and investments	\$ 10,576	\$ 12,686	\$ 171,416	\$ 194,678
Total Assets	<u>\$ 10,576</u>	<u>\$ 12,686</u>	<u>\$ 171,416</u>	<u>\$ 194,678</u>
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance				
Assigned	<u>10,576</u>	<u>12,686</u>	<u>171,416</u>	<u>194,678</u>
Total Fund Balance	<u>10,576</u>	<u>12,686</u>	<u>171,416</u>	<u>194,678</u>
Total Liabilities and Fund Balance	<u>\$ 10,576</u>	<u>\$ 12,686</u>	<u>\$ 171,416</u>	<u>\$ 194,678</u>

Town of Clarksville, Virginia

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

Other Governmental Funds

At June 30, 2021

	<u>Special Revenue Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Police Asset Forfeiture</u>	<u>Veteran's Memorial</u>	<u>Cemetery Fund</u>	
Revenues				
Use of money and property	\$ -	\$ 13	\$ 1	\$ 14
Miscellaneous	-	900	2,735	3,635
Intergovernmental				
From the Commonwealth of Virginia	-	-	-	-
Total Revenues	-	913	2,736	3,649
Expenditures				
Current				
Parks, recreation, and cultural	-	1,046	-	1,046
Total Expenditures	-	1,046	-	1,046
Excess (Deficiency) of Revenues Over Expenditures	-	(133)	2,736	2,603
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	(133)	2,736	2,603
Fund Balance - Beginning of Year	10,576	12,819	168,680	192,075
Fund Balance - End of Year	<u>\$ 10,576</u>	<u>\$ 12,686</u>	<u>\$ 171,416</u>	<u>\$ 194,678</u>

Town of Clarksville, Virginia

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

Statement of Net Position

As of June 30, 2021

Assets

Current Assets

Cash	\$ 1,020,350
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Total Current Assets	1,020,350
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Capital Assets

Land	188,267
Land improvements	33,255
Less: Accumulated depreciation	<u>(1,917)</u>

Net Capital Assets	<u>219,605</u>
--------------------	----------------

Total Assets	<u>\$ 1,239,955</u>
--------------	---------------------

Liabilities and Net Position

Liabilities

Current Liabilities

Accounts payable	\$ 1,500
------------------	----------

Total Current Liabilities	1,500
---------------------------	-------

Long-Term Liabilities

Total Liabilities	<u>1,500</u>
-------------------	--------------

Net Position

Net investment in capital assets	219,605
Unrestricted	<u>1,018,850</u>

Total Net Position	<u>1,238,455</u>
--------------------	------------------

Total Liabilities and Net Position	<u>\$ 1,239,955</u>
------------------------------------	---------------------

Town of Clarksville, Virginia

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

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2021

Operating Revenues

Miscellaneous	\$ 727
---------------	--------

Total Operating Revenues	727
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Operating Expenses

Marketing consultant	18,000
----------------------	--------

Depreciation	2,871
--------------	-------

Advertising	186
-------------	-----

Professional fees	11,915
-------------------	--------

Insurance	579
-----------	-----

Total Operating Expenses	33,551
--------------------------	--------

Net Operating Loss	(32,824)
--------------------	----------

Non-Operating Revenues (Expenses)

Loss on sale of ROES land and building	(1,667)
--	---------

Loss on sale of VA Lakeside Commerce Park	(36,928)
---	----------

Total Non-Operating Revenues (Expenses)	(38,595)
---	----------

Change in Net Position	(71,419)
------------------------	----------

Net Position - Beginning of Year	1,309,874
----------------------------------	-----------

Net Position - End of Year	\$ 1,238,455
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Town of Clarksville, Virginia

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

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities

Receipts	\$ 727
Payment to suppliers	<u>(30,680)</u>

Net Cash Used in Operating Activities (29,953)

Cash Flows from Capital and Related Financing Activities

Proceeds from sale of VA Lakeside Commerce Park	807,115
Proceeds from sale of ROES land and building	<u>84,000</u>

Net Cash Provided by Capital and Related Financing Activities 891,115

Cash Flows from Investing Activities

-

Net Cash Used in Investing Activities -

Increase in Cash and Cash Equivalents 861,162

Cash and Cash Equivalents - Beginning of Year 159,188

Cash and Cash Equivalents - End of Year \$ 1,020,350

**Reconciliation of Operating Loss to Net Cash
Used in Operating Activities**

Operating loss	\$ (32,824)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>	
Depreciation and amortization	<u>2,871</u>

Net Cash Used in Operating Activities \$ (29,953)

STATISTICAL SECTION

Town of Clarksville, Virginia

Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Water and Sewer Revenue Bonds

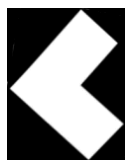
Fiscal Year	Gross Revenue ⁽¹⁾		Less Operating Expenses ⁽²⁾		Net Revenues Available for Debt Service	Debt Service		Coverage
						Principal	Interest	
2012	\$	1,178,769	\$	629,041	\$ 549,728	\$ 140,221	\$ 60,055	2.74
2013		2,076,049		636,789	1,439,260	187,855	155,167	4.20
2014		1,108,782		746,316	362,466	158,287	208,480	0.99
2015		1,233,486		712,443	521,043	167,041	201,955	1.41
2016		1,299,554		830,033	469,521	179,639 ⁽³⁾	127,021	1.53
2017		1,818,981		780,136	1,038,844	183,732	236,868	2.47
2018		1,382,787		688,505	694,282	190,929	208,724	1.74
2019		1,357,804		872,551	485,253	201,323	203,827	1.20
2020		1,398,063		967,287	430,776	210,819	219,354	1.00
2021		1,424,109		971,548	452,561	208,793	161,349	1.22

⁽¹⁾Operating revenues and interest income

⁽²⁾Net of depreciation and amortization

⁽³⁾Net of bond refundings

COMPLIANCE SECTION



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

To the Town Council
Town of Clarksville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clarksville, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Clarksville, Virginia's basic financial statements and have issued our report thereon dated October 5, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

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

South Hill, Virginia
October 5, 2022