

TOWN OF BROADWAY, VIRGINIA
FINANCIAL AND COMPLIANCE REPORTS
JUNE 30, 2021

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David W. Black, CPA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council
Town of Broadway
PO Box 156
Broadway, VA 22815

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Town of Broadway, 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 Broadway's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Broadway's basic financial statements. The other supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021, on our consideration of the Town of Broadway'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 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 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 Broadway's internal control over financial reporting and compliance.

Young, Nicholas, Branner & Phillips, LLP

Harrisonburg, VA
November 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Broadway's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2021. Please read it in conjunction with the Town's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$18,730,147 at the close of the most recent fiscal year.
- The Town's net position increased as a result of this year's operations. The net position of the business-type activities increased by \$406,426, and the net position of the governmental activities increased by \$345,861.
- In the Town's business-type activities, operating revenues increased by \$45,506 from the previous year while operating expenses increased by \$55,873.
- In the Town's governmental activities, operating revenues increased by \$199,116 from the previous year while operating expenses increased by \$295,804.
- Actual revenues were \$325,354 more than budgeted for the General Fund. General Fund expenditures were \$123,864 less than budgeted.
- Operating revenues were \$73,422 more than budgeted for the Water Fund. Water Fund operating expenses, excluding depreciation, were \$52,818 more than budgeted. In addition, interest expense was \$77,374 less than budgeted.
- Operating revenues were \$23,561 less than budgeted for the Sewer Fund. Sewer Fund operating expenses, excluding depreciation, were \$100,998 less than budgeted. In addition, interest expense was \$57,631 less than budgeted.
- The Town added \$1,027,450 in capital additions during the current fiscal year.
- The Town's long-term debt increased by \$598,767 during the current fiscal year.
- The Town had a successful debt refunding during fiscal year 2021, working with the Virginia Resources Authority to refinance \$6,435,000 of prior debt with a new loan for \$7,780,000. The Town will see cash flows savings from a reduction of debt service over the next 19 years totaling \$462,212.
- Through the Coronavirus Relief Fund, the CARES Act provided the Town with \$204,650 during the fiscal year to help navigate the impact of the COVID-19 outbreak.
- Through the American Rescue Plan Act of 2021 (ARPA), the Town received \$2,063,621 during the fiscal year intended to help respond to the COVID-19 emergency and bring back jobs. The ARPA funds are reflected as unearned revenue at the end of the fiscal year. The funding will be reflected in revenue in future periods as the funds are expended.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that help answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net position* and changes in it. You can think of the Town's net position-the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources-as one way to measure the Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property base and condition of the Town's roads to assess the *overall health* of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- *Governmental activities*-Most of the Town's basic services are reported here, including public safety, public works, community development, cultural and recreation and general administration. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- *Business-type activities*-The Town charges a fee to customers/users to help it cover all or most of the cost of certain services it provides. The Town's water and sewer systems and RBEG Fund are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements begin on page 14 and provide detailed information about the Town's funds-not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the budget ordinance. The Town's two kinds of funds-*governmental* and *proprietary*-use different accounting approaches.

- *Governmental fund*-Most of the Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Town's fund balance by law, creditors, Town Council, and the Town's annually adopted budget. Unassigned fund balance is available for spending for any purpose. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and the governmental *fund* in reconciliations following the fund financial statements.
- *Proprietary funds*-When the Town charges customers/users for the services provided it is reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS TRUSTEE

The Town is the trustee, or fiduciary, for the IDA Fund. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position on pages 24 and 25. Since this fund is custodial in nature (i.e. assets equal liabilities) it does not involve the measurement of results of operations. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to support the Town's own programs. The Town is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's *combined* net position changed significantly from a year ago – *increasing* from \$17,977,860 to \$18,730,147. During the year, the net position of the governmental activities increased by 5.7 percent and business-type activities increased by 3.4 percent. Below is a summary of the net position as of June 30, 2021 and 2020.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,219,974	\$ 885,912	\$ 1,433,285	\$ 1,446,794	\$ 4,653,259	\$ 2,332,706
Capital assets	<u>6,246,880</u>	<u>6,091,308</u>	<u>31,104,812</u>	<u>31,410,893</u>	<u>37,351,692</u>	<u>37,502,201</u>
Total assets	<u>\$ 9,466,854</u>	<u>\$ 6,977,220</u>	<u>\$ 32,538,097</u>	<u>\$ 32,857,687</u>	<u>\$ 42,004,951</u>	<u>\$ 39,834,907</u>
Total deferred outflow of resources	<u>\$ 207,265</u>	<u>\$ 139,048</u>	<u>\$ 1,535,033</u>	<u>\$ 224,006</u>	<u>\$ 1,742,298</u>	<u>\$ 363,054</u>
Long-term liabilities	\$ 543,250	\$ 504,548	\$ 21,293,713	\$ 20,485,022	\$ 21,836,963	\$ 20,989,570
Other liabilities	<u>2,292,377</u>	<u>133,583</u>	<u>419,012</u>	<u>570,168</u>	<u>2,711,389</u>	<u>703,751</u>
Total liabilities	<u>\$ 2,835,627</u>	<u>\$ 638,131</u>	<u>\$ 21,712,725</u>	<u>\$ 21,055,190</u>	<u>\$ 24,548,352</u>	<u>\$ 21,693,321</u>
Total deferred inflows of resources	<u>\$ 428,849</u>	<u>\$ 414,355</u>	<u>\$ 39,901</u>	<u>\$ 112,425</u>	<u>\$ 468,750</u>	<u>\$ 526,780</u>
Net position:						
Net investment in capital assets	\$ 6,072,369	\$ 5,864,589	\$ 11,435,319	\$ 11,031,490	\$ 17,507,688	\$ 16,896,079
Unrestricted	<u>337,274</u>	<u>199,193</u>	<u>885,185</u>	<u>882,588</u>	<u>1,222,459</u>	<u>1,081,781</u>
Total net position	<u>\$ 6,409,643</u>	<u>\$ 6,063,782</u>	<u>\$ 12,320,504</u>	<u>\$ 11,914,078</u>	<u>\$ 18,730,147</u>	<u>\$ 17,977,860</u>

The largest portion of the Town's net position (93.47 percent) reflects its investments in capital assets (e.g., land, buildings, equipment and improvements), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position (\$1,222,459) may be used to meet the government's ongoing obligation to citizens and creditors.

The following is a summary of the change in net position for the governmental and business-type activities for the years ended June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Charges for services	\$ 333,827	\$ 228,453	\$ 4,461,295	\$ 4,414,282	\$ 4,795,122	\$ 4,642,735
General property taxes	366,050	351,896	-	-	366,050	351,896
Other local taxes	913,932	814,521	-	-	913,932	814,521
Intergovernmental	864,582	884,131	-	-	864,582	884,131
Miscellaneous	1,567	1,841	9,566	11,073	11,133	12,914
Total revenues	\$ 2,479,958	\$ 2,280,842	\$ 4,470,861	\$ 4,425,355	\$ 6,950,819	\$ 6,706,197
Program expenses						
General government	\$ 534,523	\$ 502,945	\$ -	\$ -	\$ 534,523	\$ 502,945
Public safety	761,401	582,237	-	-	761,401	582,237
Public works	640,258	589,495	-	-	640,258	589,495
Cultural and recreation	247,818	220,807	-	-	247,818	220,807
Community development	21,372	14,084	-	-	21,372	14,084
RBEG	-	-	687	413	687	413
Water	-	-	764,833	706,861	764,833	706,861
Sewer	-	-	2,823,546	2,825,919	2,823,546	2,825,919
Total expenses	\$ 2,205,372	\$ 1,909,568	\$ 3,589,066	\$ 3,533,193	\$ 5,794,438	\$ 5,442,761
Operating income	\$ 274,586	\$ 371,274	\$ 881,795	\$ 892,162	\$ 1,156,381	\$ 1,263,436
Nonoperating						
Interest income	\$ 559	\$ 7,435	\$ 1,653	\$ 12,840	\$ 2,212	\$ 20,275
Rental income	14,000	14,000	25,101	41,064	39,101	55,064
Spring lease	-	-	(5,000)	(5,000)	(5,000)	(5,000)
Gain (loss) on disposal of assets	(12,462)	-	-	1,774	(12,462)	1,774
Interest expense	(10,102)	(8,018)	(501,995)	(581,155)	(512,097)	(589,173)
Debt issuance costs	-	-	(63,209)	-	(63,209)	-
Total nonoperating	\$ (8,005)	\$ 13,417	\$ (543,450)	\$ (530,477)	\$ (551,455)	\$ (517,060)
Income before contributions and transfers	\$ 266,581	\$ 384,691	\$ 338,345	\$ 361,685	\$ 604,926	\$ 746,376
Contributions	57,361	-	90,000	-	147,361	-
Transfers	21,919	195,953	(21,919)	(196,118)	-	(165)
Change in net position	\$ 345,861	\$ 580,644	\$ 406,426	\$ 165,567	\$ 752,287	\$ 746,211

The Town's total revenues increased by \$244,622 (3.6 percent), and the total cost of all programs and services increased by \$351,677 (6.5 percent). Our analysis that follows separately considers the operations of governmental and business-type activities.

Governmental Activities

Operating revenues for the Town's governmental activities increased by \$199,116 (8.7 percent) and operating expenses increased by \$295,804 (15.4 percent). The factors driving these results include:

Revenues

- *General property taxes* increased by \$14,154. Although the tax rates remained the same, the taxable values of both real estate and personal property in the Town increased over the prior year.
- *Intergovernmental revenues* decreased by \$19,549. The most significant increases in this category were CARES Act funding and police grants. CARES Act funding in the amount of \$204,650 was provided the Town to help navigate the impact of the COVID-19 outbreak. Police grants increased as the Town was awarded a \$29,045 grant from the Department of Criminal Justice Services to use toward the purchase of body cameras for the officers. The most significant decrease in this category was grant funds to help restore Linville Creek. This line item decreased by \$252,234 from the prior year. The project wrapped up early in the fiscal year and only \$28,765 remained to be drawn on the grant awards.
- *Charges for services* overall increased by \$105,374. Trash collection fees increased by \$81,919. FY2021 had the usual six billing periods for the year, while in FY2020 fees were suspended for two billing periods resulting from COVID-19. Park revenues increased by \$23,561 over the prior year as COVID restrictions eased.
- *Other local taxes* increased by \$99,411. The most significant increases in this category were meals tax and sales and use tax which increased by \$66,995 and \$32,029, respectively. Meals tax collection was suspended by the Town from April 2020 through July 2020, causing revenues to drop for the period. FY2021 reflected an improving outlook as COVID restrictions were eased and customers began returning.

Expenses

- *General government* increased by \$31,578. The most significant increases in this category were salaries costs and miscellaneous expenses which increased by \$20,010 and \$24,185, respectively. Salaries increased due to standard raises, bonuses paid out of the CARES Act funds for work during the pandemic, and the hire of a full-time Town Clerk. The increases were partially offset by the Town Treasurer going part-time in mid-year. Miscellaneous expenses reflected bank and credit card fees (\$9,883) and the write-off of demolition costs (\$14,953) on a condemned property. Travel/educational costs decreased by \$7,351 as a result of less travel due to COVID-19.
- *Public safety* increased by \$179,164. Salaries and employee benefits increased by \$75,540 and \$14,723, respectively. Salaries increased due to standard raises, bonuses paid out of the CARES Act funds for work during the pandemic, and the hiring of an additional officer in November 2020. In addition, a new Police Chief was hired in September 2020 at a higher rate than his predecessor. Police uniforms and supplies increased by \$53,664 over the prior year. Spending in this category included small equipment, web design improvements, annual bulletins, new uniforms and supplies. Vehicle maintenance costs increased by \$12,075, reflecting the hire of the additional officer, gas price increases and regular patrols. Patrols had been reduced in the previous year due to COVID-19. Depreciation expense increased by \$9,307 over fiscal year 2020, primarily due to new equipment purchased for the department during 2021.

- *Public works* increased by \$50,763. The most significant increase in this category was garbage collection which increased by \$25,843. The cost of collection rose as a result of two new subdivisions being added to the route for pickup. Beautification increased by \$9,310 over the prior year, primarily due to the purchase of Christmas decorations. Salaries and employee benefits increased by \$5,002 and \$1,404, respectively. Salaries increased due to standard raises, and bonuses paid out of the CARES Act funds for work during the pandemic. Depreciation expense increased by \$10,312 over fiscal year 2020. Fiscal year 2021 reflected a full year of depreciation on recent improvements to infrastructure.
- *Cultural and recreation* increased by \$27,011. The most significant increase in this category was operating expenses which increased by \$20,337. Much of this increase was the cost of tree removal (\$17,994). A number of older trees in the parks had to be removed due to a deteriorating condition. Most other costs in the category increased a modest amount over the prior year as the COVID restrictions were eased.
- *Community development* increased by \$7,288. FY2021 included the cost of additional activities that were held to encourage residents to participate after being pent up due to COVID-19.

The Town received a significant donation (\$145,000) from Pilgrims Pride in FY2021. The donation is reported as a contribution on the statement of activities as follows: governmental \$55,000 and business-type \$90,000.

Business-Type Activities

Operating revenues for the Town's business-type activities increased by \$45,506 (1.0 percent) and operating expenses increased by \$55,873 (1.6 percent). The factors driving these results include:

Revenues

- *Water and sewer revenues* increased by \$47,013. Connection fees increased by \$32,760 in FY2021 due to four more connections to the utility system than the previous year. Wastewater contracts increased by \$113,737 over FY2020. One municipal user was billed \$93,682 more in FY2021. This user is billed for its actual use of the system. As a result, when it rains the resulting stormwater causes additional usage. Sludge revenue decreased by \$97,672 over the prior year. The largest user had fewer loadings in FY2021 because their production was down due to COVID-19. As a result, this user was billed \$81,106 less than the prior year.

Expenses

- *Water, sewer, and RBEG expenses* increased by \$55,873. The most significant increases over FY2020 were salaries and employee benefits by \$79,969, repairs and maintenance by \$131,441, depreciation by \$24,943, and professional fees by \$16,759. Salaries increased due to standard raises, bonuses paid out of the CARES Act funds for work during the pandemic, and hire of a new part-time position for the field. In addition, a new wastewater operator was hired to replace an operator that had left in April 2020. Repairs and maintenance included a number of significant items that required fixing in the sewer fund and the removal of trees that were in a deteriorating condition in the water fund. Much of the depreciation increase was attributable to FY2021 being the first full year of depreciation on the water plant upgrade and expansion project. Increases for professional fees included water system support, water main design and the annual ground water report.

The most significant decreases from FY2020 were chemicals by \$64,341, utilities by \$48,689, water purchases by \$30,413, sludge removal by \$28,063, and lab testing by \$24,387. Chemical costs were down due to the timing of the purchases (there were several large purchases near the end of FY2020) and less need because the largest user of the WWTF had fewer loadings in the FY2021. Utilities and sludge removal were also down due to the drop off in production by the largest user. Water purchases were significantly less as a result of the new expanded plant being online for all of FY2021. Lab testing decreased because less flea and toxicity testing is required than in the past.

The Town's business-type activities also included decreases in interest expense of \$79,160. The expense is less in FY2021 due to the bond refunding that occurred early in the fiscal year. However, a one-time charge for debt issuance costs (\$63,209) associated with the refunding offsets much of the interest change.

THE TOWN'S FUNDS

As the Town completed the year, its governmental fund (as presented in the balance sheet on page 14) reported a fund balance of \$553,654, which is an increase of \$144,837 over last year's total of \$408,817.

The changes in the General Fund mirror the changes noted in the previous section under "governmental activities" plus changes for capital outlay. During the year, the Town disbursed \$479,074 on capital outlay. This was a decrease of \$412,539 from the prior year.

As the Town completed the year, its proprietary funds (as presented in the statements of net position on pages 18 and 19) reported net position of \$12,320,504, which is an increase of \$406,426 from last year's total of \$11,914,078. Significant changes in the change in net position are noted in the previous section under "business-type activities".

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town Council revised the Town budget once. The purpose of this amendment was to account for:

- CARES Act Funds received and expended during the fiscal year
- Prior year carryovers for police and capital outlay in the general fund, interest expense and repairs in the water fund, and capital outlay and repairs in the sewer fund

The significant variations of actual results to the final General Fund budget are summarized below:

<u>Account</u>	<u>Variance Positive (Negative)</u>
Revenues	
General property taxes	\$ 61,250
Other local taxes	129,932
Intergovernmental revenues	30,396
Trash collection fees	26,538
Donations	57,361
Expenditures	
<i>General Government Administration</i>	
CARES Act	\$ 52,178
Miscellaneous	(26,677)
Donations	14,500
Buildings and grounds	(14,847)
Professional services	15,531
<i>Public Safety</i>	
Salaries and wages	(54,943)
Uniforms and supplies	33,168
Capital outlay	(117,310)
<i>Public Works</i>	
Street maintenance	285,925
Garbage collection	(27,327)
<i>Cultural & Recreation</i>	
Operating expenses	(13,414)
Capital outlay	(25,466)
<i>Debt Service</i>	
Principal on loans	(31,159)

Actual revenues were \$325,354 more than budgeted. The positive variance in general property taxes of \$61,250 was due to a more than expected increase in the taxable values of both real estate and personal property in the Town. Other local taxes were more than budgeted due to better-than-expected revenue from meals tax and sales and use tax. Actual revenues in these categories returned to *better than* pre-COVID levels. Intergovernmental revenues were higher than budgeted due to a police grant (\$29,045) awarded for body cameras. This grant had not been included in the budget. Trash collection fees were more than budget as the fees approached pre-COVID levels. Donations included a portion of the Pilgrims Pride donation that had not been budgeted.

Actual expenditures were \$123,864 less than budgeted. The most significant favorable variance was street maintenance which was \$289,925 less than budgeted. Street maintenance expenditures were less than expected due to COVID-related delays in getting certain projects completed. The Town can carry these funds forward and schedule the projects for the upcoming year. CARES Act expenditures were less than budgeted because the funds received were \$19,350 less than expected. Also, salaries in the amount of \$32,827 for essential services from the CARES Act funds were spread across the departments and not included in the line item for CARES Act expenditures. The most significant unfavorable variance was capital outlay for public safety. The Town purchased body cameras for police officers for \$93,697. The Town has the option to pay off the cameras over five years. Police salaries and wages were more than expected because Town hired an additional officer and paid out bonuses from the CARES Act funds for work during the pandemic. Principal paid on loans were more than expected because the Town elected to pay off the loan on the Caterpillar backhoe loader early. Garbage collection costs were more than expected due to two new subdivisions being added to the route for pickup. Miscellaneous expenses were more than budgeted due to bank and credit card fees (\$9,883) and the write off of demolition costs (\$14,953) on a condemned property. Capital outlay for cultural and recreation were more than expected because the Town received a significant donation from Pilgrims Pride that was used to purchase a zipline and climber that had not been budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the Town had \$37.35 million invested in capital assets including public works and police equipment, buildings, park facilities, sidewalks, and the water and sewer systems. (See table below.) This represents a net decrease of \$150,509 or 0.4 percent, compared to last year.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 903,191	\$ 903,191	\$ 143,397	\$ 143,397	\$ 1,046,588	\$ 1,046,588
Buildings	844,421	685,783	-	-	844,421	685,783
Equipment	317,741	279,874	702,362	392,256	1,020,103	672,130
Infrastructure	2,605,480	2,724,676	-	-	2,605,480	2,724,676
Utility system	-	-	30,259,053	30,875,240	30,259,053	30,875,240
Park and improvements	1,576,047	1,497,784	-	-	1,576,047	1,497,784
Totals	<u>\$ 6,246,880</u>	<u>\$ 6,091,308</u>	<u>\$ 31,104,812</u>	<u>\$ 31,410,893</u>	<u>\$ 37,351,692</u>	<u>\$ 37,502,201</u>

This year's major additions included:

Cargill pump station improvement	\$ 321,579
7 body cameras, police	93,967
Exterior paint on water tank	90,685
Maintenance building addition (CARES funds)	72,719
Automation project	62,031
Police department addition (CARES funds)	58,818
	<u>\$ 699,799</u>

Debt

At year-end, the Town had \$21,034,083 in outstanding loans compared to \$20,435,316 last year. This is an increase of 2.9 percent as shown in the following tables.

Governmental Activities

	Outstanding June 30,	
	2021	2020
Caterpillar Financial, backhoe loader	\$ -	\$ 29,962
Branch Banking & Trust, series 2012A bond	174,129	196,326
	<u>\$ 174,129</u>	<u>\$ 226,288</u>

Business-Type Activities

	Outstanding June 30,	
	2021	2020
Bond payable, series 2015B, (Virginia Resources Authority)	\$ 6,664,434	\$ 7,033,620
Bond payable, series 2015A, (Virginia Resources Authority)	1,045,000	7,675,000
Bond payable, series 2018, (Virginia Resources Authority)	5,370,520	5,500,408
Bond payable, series 2020, (Virginia Resources Authority)	7,780,000	-
	<u>\$20,859,954</u>	<u>\$20,209,028</u>

In the business-type activities, a refunding bond in the amount of \$7,780,000 was issued to redeem a portion (\$6,435,000) of the series 2015A bonds. Due to the refunding, the Town will see cash flow savings from a reduction of debt service over the next 19 years totaling \$462,212.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The proposed budget for FY 2021-2022 is \$7 million, an increase of 2.0 percent over the previous year.

Tax rates and utility fees remain at the same level as FY 2020-2021. All increases are based on historically steady revenue increases.

The General Fund revenues are projected to increase \$92,600 during FY 2021-2022. Sales and meals tax revenues are increased 21 percent each to reflect actual collections in the most recent year. Minor increases are expected in most other revenue categories. Expenses are expected to increase 4.25 percent from the prior year, due to increases in street maintenance and police capital projects.

The Water Fund revenues are expected to decrease 5.11 percent compared to last year. The decrease reflects less transfer in from the Sewer Fund. Expenses are expected to decrease by 5.11 percent compared to the current year. The primary category expected to decrease is salaries-plant, down \$40,000 compared to the prior year.

The Sewer Fund revenues are expected to increase by 2.45 percent over the current year. The increase is primarily due to the expected increase in revenues from wastewater contracts and sludge revenue in FY 2021-2022. Expenses are projected to increase by 2.45 percent over the current year. The primary category expected to increase is salaries, up \$45,000 over the prior year.

In conclusion, the proposed budget is balanced in accordance with state statutes, and revenues are based on conservative estimates while expenditures are based on historical data as well as actual proposed costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Office at 116 Broadway Avenue, Broadway, VA.

Government-Wide Financial Statements

TOWN OF BROADWAY, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2021

	----- Primary Government -----		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,517,278	\$ 593,268	\$ 3,110,546
Investments	214,942	480,773	695,715
Receivables, net of allowances for uncollectible amounts:			
Property taxes	413,087	-	413,087
Accounts and other	61,923	275,832	337,755
Note receivable, current portion	-	15,821	15,821
Inventory	12,744	47,591	60,335
Note receivable, long-term	-	20,000	20,000
Capital assets:			
Non-depreciable	903,191	143,397	1,046,588
Depreciable, net of accumulated depreciation	<u>5,343,689</u>	<u>30,961,415</u>	<u>36,305,104</u>
Total assets	<u>\$ 9,466,854</u>	<u>\$ 32,538,097</u>	<u>\$ 42,004,951</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension amounts	\$ 197,604	\$ 198,203	\$ 395,807
Deferred OPEB amounts, life insurance	9,661	10,013	19,674
Deferred charges on refunding	<u>-</u>	<u>1,326,817</u>	<u>1,326,817</u>
Total deferred outflows of resources	<u>\$ 207,265</u>	<u>\$ 1,535,033</u>	<u>\$ 1,742,298</u>
LIABILITIES			
Accounts payable	\$ 183,873	\$ 125,893	\$ 309,766
Accrued liabilities	6,674	8,791	15,465
Connection fees payable	-	20,980	20,980
Accrued compensated absences	37,827	39,472	77,299
Accrued interest payable	382	136,356	136,738
Customer deposits	-	37,335	37,335
Unearned revenue	2,063,621	50,185	2,113,806
Long-term liabilities:			
Long-term debt, due within one year	174,129	808,960	983,089
Long-term debt, due in more than one year	-	20,050,994	20,050,994
Net pension liability	326,590	389,678	716,268
Net OPEB liability, life insurance	<u>42,531</u>	<u>44,081</u>	<u>86,612</u>
Total liabilities	<u>\$ 2,835,627</u>	<u>\$ 21,712,725</u>	<u>\$ 24,548,352</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	\$ 390,411	\$ -	\$ 390,411
Deferred pension amounts	37,168	38,584	75,752
Deferred OPEB amounts, life insurance	<u>1,270</u>	<u>1,317</u>	<u>2,587</u>
Total deferred inflows of resources	<u>\$ 428,849</u>	<u>\$ 39,901</u>	<u>\$ 468,750</u>
NET POSITION			
Net investment in capital assets	\$ 6,072,369	\$ 11,435,319	\$ 17,507,688
Unrestricted	<u>337,274</u>	<u>885,185</u>	<u>1,222,459</u>
Total net position	<u>\$ 6,409,643</u>	<u>\$ 12,320,504</u>	<u>\$ 18,730,147</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>----- Program Revenues -----</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Primary Government:				
Governmental activities:				
General government administration	\$ 534,523	\$ 8,663	\$ 38,629	\$ 34,484
Public safety	761,401	8,665	86,444	90,224
Public works	640,258	236,538	475,093	72,719
Cultural and recreation	247,818	79,961	4,500	83,765
Community development	21,372	-	-	-
Interest on long-term debt	<u>10,102</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 2,215,474</u>	<u>\$ 333,827</u>	<u>\$ 604,666</u>	<u>\$ 281,192</u>
Business-type activities:				
Water	\$ 913,459	\$ 770,023	\$ -	\$ 90,000
Sewer	3,245,124	3,725,939	-	-
RBEG	<u>687</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 4,159,270</u>	<u>\$ 4,495,962</u>	<u>\$ -</u>	<u>\$ 90,000</u>
Total primary government	<u>\$ 6,374,744</u>	<u>\$ 4,829,789</u>	<u>\$ 604,666</u>	<u>\$ 371,192</u>

General revenues:

General property taxes

Other local taxes

Unrestricted revenue from the use of money and property

Grants and contributions not restricted to specific programs

Transfers

Miscellaneous

Gain (loss) on disposal of assets

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position

----- Primary Government -----		
Governmental Activities	Business-Type Activities	Total
\$ (452,747)	\$ -	\$ (452,747)
(576,068)	-	(576,068)
144,092	-	144,092
(79,592)	-	(79,592)
(21,372)	-	(21,372)
<u>(10,102)</u>	<u>-</u>	<u>(10,102)</u>
<u>\$ (995,789)</u>	<u>\$ -</u>	<u>\$ (995,789)</u>
\$ -	\$ (53,436)	\$ (53,436)
-	480,815	480,815
<u>-</u>	<u>(687)</u>	<u>(687)</u>
<u>\$ -</u>	<u>\$ 426,692</u>	<u>\$ 426,692</u>
<u>\$ (995,789)</u>	<u>\$ 426,692</u>	<u>\$ (569,097)</u>
\$ 366,050	\$ -	\$ 366,050
913,932	-	913,932
14,559	1,653	16,212
36,085	-	36,085
21,919	(21,919)	-
1,567	-	1,567
<u>(12,462)</u>	<u>-</u>	<u>(12,462)</u>
<u>\$ 1,341,650</u>	<u>\$ (20,266)</u>	<u>\$ 1,321,384</u>
\$ 345,861	\$ 406,426	\$ 752,287
<u>6,063,782</u>	<u>11,914,078</u>	<u>17,977,860</u>
<u>\$ 6,409,643</u>	<u>\$ 12,320,504</u>	<u>\$ 18,730,147</u>

Fund Financial Statements

TOWN OF BROADWAY, VIRGINIA

---GOVERNMENTAL FUND---
BALANCE SHEET
 June 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	\$ 2,517,278
Investments	214,942
Receivables (net of allowance for uncollectibles):	
Property taxes	413,087
Other taxes	34,050
Other	27,873
Inventory	<u>12,744</u>
Total assets	<u>\$ 3,219,974</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 183,873
Accrued liabilities	6,674
Unearned revenue, ARPA funding	<u>2,063,621</u>
Total liabilities	<u>\$ 2,254,168</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>\$ 412,152</u>
Total deferred inflows of resources	<u>\$ 412,152</u>
Fund Balance	
Nonspendable, inventory	\$ 12,744
Unassigned	<u>540,910</u>
Total fund balance	<u>\$ 553,654</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,219,974</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
---GOVERNMENTAL FUND---
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

FUND BALANCE-TOTAL GOVERNMENTAL FUND

\$ 553,654

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 8,640,815	
Less accumulated depreciation	<u>(2,393,935)</u>	6,246,880

Certain revenues not available to pay for current period expenditures are not reported in the governmental funds.

Deferred revenue, property taxes	\$ <u>21,741</u>	21,741
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Deferred outflows of resources for pension and life insurance amounts.	\$ <u>207,265</u>	207,265
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Deferred inflows of resources for pension and life insurance amounts.	\$ <u>(38,438)</u>	(38,438)
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Certain liabilities, including notes payable, are not payable from current financial resources and therefore are not reported in the governmental fund.

Accrued interest payable	\$ (382)	
Compensated absences	<u>(37,827)</u>	(38,209)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.

Net pension liability	\$ (326,590)	
Net OPEB liability, life insurance	(42,531)	
Bonds payable	<u>(174,129)</u>	<u>(543,250)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES\$ 6,409,643

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
---GOVERNMENTAL FUND---
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2021

	<u>General Fund</u>
REVENUES	
General property taxes	\$ 366,528
Other local taxes	913,932
Permits, privilege fees, and regulatory licenses	8,663
Fines and forfeitures	8,665
Revenue from the use of money and property	14,559
Charges for services	316,499
Miscellaneous	58,928
Intergovernmental revenues:	
Commonwealth	637,229
Federal	227,351
Total revenues	<u>\$ 2,552,354</u>
EXPENDITURES	
General government administration	\$ 691,463
Public safety	839,507
Public works	488,703
Cultural and recreation	326,081
Community development	21,372
Debt service	62,310
Total expenditures	<u>\$ 2,429,436</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 122,918</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 22,606
Transfers out	(687)
Total other financing sources (uses)	<u>\$ 21,919</u>
Net change in fund balance	\$ 144,837
FUND BALANCE AT BEGINNING OF YEAR	<u>408,817</u>
FUND BALANCE AT END OF YEAR	<u>\$ 553,654</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

----GOVERNMENTAL FUND----
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN THE FUND BALANCE OF THE GOVERNMENTAL FUND
 TO THE STATEMENT OF ACTIVITIES**
 Year Ended June 30, 2021

NET CHANGE IN FUND BALANCE-TOTAL GOVERNMENTAL FUND **\$ 144,837**

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 depreciated over the estimated useful lives.

Expenditures for capital assets	\$ 479,074	
Less current year depreciation	(311,040)	
Loss on disposal of assets	<u>(12,462)</u>	155,572

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Property taxes	\$ <u>(476)</u>	(476)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Difference between pension and life insurance expenditures and pension and life insurance expense	\$ (16,687)	
Change in accrued interest	49	
Change in long-term compensated absences	<u>10,407</u>	(6,231)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayment of principal	\$ <u>52,159</u>	<u>52,159</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 345,861**

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

---- PROPRIETARY FUNDS ----
 STATEMENTS OF NET POSITION
 June 30, 2021

	Enterprise Funds			Total Enterprise Funds
	Water	Sewer	RBEG	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 518,617	\$ 37,316	\$ 555,933
Restricted cash and cash equivalents, deposits	37,335	-	-	37,335
Investments	291,894	188,879	-	480,773
Accounts receivable	202,584	73,248	-	275,832
Note receivable, current portion	-	-	15,821	15,821
Inventory	42,976	4,615	-	47,591
Total current assets	<u>\$ 574,789</u>	<u>\$ 785,359</u>	<u>\$ 53,137</u>	<u>\$ 1,413,285</u>
Noncurrent assets:				
Note receivable, long-term	\$ -	\$ -	\$ 20,000	\$ 20,000
Capital assets:				
Land	63,841	79,556	-	143,397
Utility plants, distribution and collection systems	10,204,374	28,028,735	-	38,233,109
Equipment	319,519	1,585,487	-	1,905,006
Less accumulated depreciation	(2,546,462)	(6,630,238)	-	(9,176,700)
Total noncurrent assets	<u>\$ 8,041,272</u>	<u>\$23,063,540</u>	<u>\$ 20,000</u>	<u>\$31,124,812</u>
Total assets	<u>\$ 8,616,061</u>	<u>\$23,848,899</u>	<u>\$ 73,137</u>	<u>\$32,538,097</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	\$ 49,340	\$ 148,863	\$ -	\$ 198,203
Deferred OPEB amounts, life insurance	1,761	8,252	-	10,013
Deferred charges on refunding	-	1,326,817	-	1,326,817
Total deferred outflows of resources	<u>\$ 51,101</u>	<u>\$ 1,483,932</u>	<u>\$ -</u>	<u>\$ 1,535,033</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 31,838	\$ 94,055	\$ -	\$ 125,893
Connection fees payable	8,100	12,880	-	20,980
Accrued interest payable	47,440	88,916	-	136,356
Accrued payroll liabilities	1,659	7,132	-	8,791
Compensated absences	11,304	28,168	-	39,472
Deposits	37,335	-	-	37,335
Unearned revenue	1,825	48,360	-	50,185
Bonds, notes and loans payable	132,386	676,574	-	808,960
Total current liabilities	<u>\$ 271,887</u>	<u>\$ 956,085</u>	<u>\$ -</u>	<u>\$ 1,227,972</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA

---- PROPRIETARY FUNDS ----
 STATEMENTS OF NET POSITION
 June 30, 2021

	----- Enterprise Funds -----			Total Enterprise Funds
	Water	Sewer	RBEG	
Noncurrent liabilities:				
Net pension liability	\$ 130,228	\$ 259,450	\$ -	\$ 389,678
Net OPEB liability, life insurance	7,753	36,328	-	44,081
Bonds, notes and loans payable	5,238,134	14,812,860	-	20,050,994
Total noncurrent liabilities	<u>\$ 5,376,115</u>	<u>\$15,108,638</u>	<u>\$ -</u>	<u>\$20,484,753</u>
Total liabilities	<u>\$ 5,648,002</u>	<u>\$16,064,723</u>	<u>\$ -</u>	<u>\$21,712,725</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	\$ 8,183	\$ 30,401	\$ -	\$ 38,584
Deferred OPEB amounts, life insurance	232	1,085	-	1,317
Total deferred inflows of resources	<u>\$ 8,415</u>	<u>\$ 31,486</u>	<u>\$ -</u>	<u>\$ 39,901</u>
NET POSITION				
Net investment in capital assets	\$ 2,623,312	\$ 8,812,007	\$ -	\$11,435,319
Unrestricted	<u>387,433</u>	<u>424,615</u>	<u>73,137</u>	<u>885,185</u>
Total net position	<u>\$ 3,010,745</u>	<u>\$ 9,236,622</u>	<u>\$ 73,137</u>	<u>\$12,320,504</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---
**STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION**
 Year Ended June 30, 2021

	----- Enterprise Funds -----			Total Enterprise Funds
	Water	Sewer	RBEG	
OPERATING REVENUES				
Wastewater contracts	\$ -	\$ 2,669,072	\$ -	\$ 2,669,072
Charges for services	585,956	412,795	-	998,751
Connection fees	149,400	152,720	-	302,120
Sludge revenue	-	491,352	-	491,352
Miscellaneous	9,566	-	-	9,566
Total operating revenues	\$ 744,922	\$ 3,725,939	\$ -	\$ 4,470,861
OPERATING EXPENSES				
Salaries and wages	\$ 181,112	\$ 591,142	\$ -	\$ 772,254
Employee benefits	31,583	182,129	-	213,712
Payroll taxes	13,618	40,839	-	54,457
Water purchase, Co-Op	13,835	-	-	13,835
Chemicals	37,408	288,091	-	325,499
Insurance	13,341	14,049	-	27,390
Lab testing	-	89,116	-	89,116
Miscellaneous	2,563	3,524	-	6,087
Postage	1,648	1,642	-	3,290
Professional fees	25,995	20,633	687	47,315
Repairs and maintenance	158,503	306,084	-	464,587
Supplies	3,122	4,400	-	7,522
Sludge removal	-	203,488	-	203,488
Utilities and fuel	52,302	422,224	-	474,526
Telephone	6,567	12,241	-	18,808
Vehicle maintenance	12,721	-	-	12,721
Depreciation	210,515	643,944	-	854,459
Total operating expenses	\$ 764,833	\$ 2,823,546	\$ 687	\$ 3,589,066
Operating income (loss)	\$ (19,911)	\$ 902,393	\$ (687)	\$ 881,795
NONOPERATING REVENUES (EXPENSES)				
Interest earned	\$ 1,345	\$ 2,037	\$ 279	\$ 3,661
Rental income	25,101	-	-	25,101
Spring lease fees	(5,000)	-	-	(5,000)
Unrealized gain (loss) on investments	-	(2,008)	-	(2,008)
Debt issuance costs	-	(63,209)	-	(63,209)
Interest expense	(143,626)	(358,369)	-	(501,995)
Total nonoperating revenues (expenses)	\$ (122,180)	\$ (421,549)	\$ 279	\$ (543,450)
Income (loss) before contributions and transfers	\$ (142,091)	\$ 480,844	\$ (408)	\$ 338,345

(Continued)

TOWN OF BROADWAY, VIRGINIA
---PROPRIETARY FUNDS---
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2021

	----- Enterprise Funds -----			Total Enterprise Funds
	Water	Sewer	RBEG	
CAPITAL CONTRIBUTIONS				
Donation, water tank painting	\$ 90,000	\$ -	\$ -	\$ 90,000
Total capital contribution	\$ 90,000	\$ -	\$ -	\$ 90,000
TRANSFERS				
Transfers in	\$ 318,293	\$ 12,861	\$ 687	\$ 331,841
Transfers out	(24,164)	(329,596)	-	(353,760)
	\$ 294,129	\$ (316,735)	\$ 687	\$ (21,919)
Change in net position	\$ 242,038	\$ 164,109	\$ 279	\$ 406,426
NET POSITION AT BEGINNING OF YEAR	<u>2,768,707</u>	<u>9,072,513</u>	<u>72,858</u>	<u>11,914,078</u>
NET POSITION AT END OF YEAR	<u>\$ 3,010,745</u>	<u>\$ 9,236,622</u>	<u>\$ 73,137</u>	<u>\$12,320,504</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---
STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2021

	----- Enterprise Funds -----			Total Enterprise Funds
	Water	Sewer	RBEG	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 701,566	\$ 3,775,859	\$ -	\$ 4,477,425
Cash payments to suppliers of goods and services	(364,740)	(1,592,222)	(687)	(1,957,649)
Cash payments to employees	(180,378)	(590,787)	-	(771,165)
Net cash provided by (used in) operating activities	\$ 156,448	\$ 1,592,850	\$ (687)	\$ 1,748,611
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers from other funds	\$ 318,293	\$ 12,861	\$ 687	\$ 331,841
Operating transfers to other funds	(24,164)	(329,596)	-	(353,760)
Principal payments received on notes receivable	-	-	2,538	2,538
Disbursements on notes receivable	-	-	(30,000)	(30,000)
Net cash provided by (used in) noncapital financing activities	\$ 294,129	\$ (316,735)	\$ (26,775)	\$ (49,381)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (274,342)	\$ (430,165)	\$ -	\$ (704,507)
Donation, water tank painting	90,000	-	-	90,000
Rental income	25,101	-	-	25,101
Loan proceeds from bonds payable	-	7,780,000	-	7,780,000
Principal paid on bond and loans	(129,888)	(6,999,186)	-	(7,129,074)
Debt issuance costs	-	(63,209)	-	(63,209)
Deferred charges on refunding	-	(1,281,405)	-	(1,281,405)
Interest paid	(144,906)	(350,588)	-	(495,494)
Spring lease	(5,000)	-	-	(5,000)
Net cash provided by (used in) capital and related financing activities	\$ (439,035)	\$ (1,344,553)	\$ -	\$ (1,783,588)

(Continued)

TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---
STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2021

	----- Enterprise Funds -----	-----	-----	Total Enterprise Funds
	Water	Sewer	RBEG	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned	\$ 1,345	\$ 29	\$ 279	\$ 1,653
Net cash provided by (used in) investing activities	\$ 1,345	\$ 29	\$ 279	\$ 1,653
Net increase (decrease) in cash and cash equivalents	\$ 12,887	\$ (68,409)	\$ (27,183)	\$ (82,705)
Cash and cash equivalents:				
Beginning	316,342	775,905	64,499	1,156,746
Ending	\$ 329,229	\$ 707,496	\$ 37,316	\$ 1,074,041
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO PROPRIETARY FUND BALANCE SHEETS				
Unrestricted cash and cash equivalents	\$ -	\$ 518,617	\$ 37,316	\$ 555,933
Restricted cash and cash equivalents, deposits	37,335	-	-	37,335
Investments	291,894	188,879	-	480,773
	\$ 329,229	\$ 707,496	\$ 37,316	\$ 1,074,041
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (19,911)	\$ 902,393	\$ (687)	\$ 881,795
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Pension costs (earnings)	3,226	11,871	-	15,097
Depreciation	210,515	643,944	-	854,459
Change in assets and liabilities:				
(Increase) decrease in inventories	(640)	447	-	(193)
(Increase) decrease in accounts receivable	(43,101)	1,560	-	(41,541)
Increase (decrease) in accounts payable and accrued expenses	6,614	(15,725)	-	(9,111)
Increase (decrease) in deposits	(255)	-	-	(255)
Increase (decrease) in unearned revenue	-	48,360	-	48,360
Net cash provided by (used in) operating activities	\$ 156,448	\$ 1,592,850	\$ (687)	\$ 1,748,611

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
----FIDUCIARY FUND----
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	<u>IDA Fund</u> <u>(Custodial)</u>
ASSETS	
Cash and cash equivalents	\$ 70,048
Total assets	<u>\$ 70,048</u>
LIABILITIES	
Accounts payable	\$ -
Total liabilities	<u>\$ -</u>
NET POSITION	
Amounts held for others	<u>\$ 70,048</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

---FIDUCIARY FUND---
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2021

	IDA Fund (Custodial)
ADDITIONS	
Fees (revenue)	\$ -
Transfer from other funds	-
Total additions	<u>\$ -</u>
DEDUCTIONS	
Legal fees	\$ 137
Bank charges	48
Total deductions	<u>\$ 185</u>
Change in net position	\$ (185)
NET POSITION AT BEGINNING OF YEAR	<u>70,233</u>
NET POSITION AT END OF YEAR	<u>\$ 70,048</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Broadway, Virginia, conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

A. Reporting Entity

The Town of Broadway, Virginia, is a municipality governed by a six-member Town Council and Mayor. Daily operations are conducted by the Town Manager with oversight from the Mayor and Town Council. In determining the reporting entity, the Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." Based on the criteria provided in that Statement there are no agencies or entities that should be presented as component units of the Town.

B. Governmental Accounting Standards

The Town follows the general provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement identifies the financial reporting requirements of state and local governments.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The Town government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 45 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, sales and use taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The General Fund is the Town's only governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Water and Sewer Funds-account for the activities related to the provision of water and sewer services to Town's businesses, residents, schools, and churches. They operate the water treatment plant, water distribution systems, sewer collection systems, and pump stations.

RBEG Fund-accounts for the activities of administering the Town's Rural Business Enterprise Grant (RBEG) Program.

Fiduciary Fund Financial Statement

The Town's fiduciary fund is presented in the fund financial statement by type (custodial). Since by definition these assets are being held for the benefit of a third party and cannot be used to support the Town's own programs, these funds are not incorporated into the governmental-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund of the Town is the Industrial Development Authority (IDA) Fund. Since this fund is custodial in nature (i.e., assets equal liabilities), it does not involve the measurement of results of operations.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and EquityCash and Cash Equivalents

Cash of the individual funds is combined to form a pool of cash. Investment of the pooled cash consists of certificates of deposit. Interest earned as a result of the pooling is distributed to the appropriate funds utilizing a formula based on the average balance of cash and investments of each fund.

For purposes of reporting cash flows, the Town considers all cash on hand, checking accounts, savings accounts, money market funds and highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

Investments

The Town's investments are reported at fair value.

The Town is a voluntary participant in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is a special purpose state-administered investment pool offered to public entities for the investment of public funds. Statutory authority is granted by the *Code of Virginia*, and the Investment Division of the Virginia Department of the Treasury manages the Pool. The LGIP is managed similarly to a money market fund and in compliance with GASB's Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, definition of "2a-7 like pools".

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical collection data and specific account analysis. Major receivable balances for the governmental activities include sales and use taxes and utility taxes. Business-type activities report utilities and interest earnings as their major receivables. The Town grants credit to the customers of its water, sewer and trash systems. The customers are either local businesses or residents.

In the fund financial statements, major receivable balances and the allowances for uncollectible accounts are the same as those in the governmental and business-type activities.

Property Taxes

Real estate and personal property taxes are assessed annually by Rockingham County, Virginia, for all property of record as of January 1. Property taxes attach as an enforceable lien on property as of January 1. The Town collects real estate and personal property taxes on an annual basis (due December 5). The portion of the tax receivable that is not collected within 45 days after June 30 is shown as deferred inflows of resources in the fund financial statements. A penalty of 10 percent of the tax is assessed after the applicable payment date.

The taxes receivable balance at June 30, 2021, includes amounts not yet billed or received from the January 1, 2021, levy (due December 5, 2021). These items are included in deferred inflows of resources since these taxes are restricted for use until fiscal year 2022.

The Town calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. There was no allowance at June 30, 2021.

Inventory

Proprietary fund inventory is reported at the lower of cost (first-in, first-out method) or net realizable value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in the governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns. In general, the Town defines capital assets as assets with an initial, individual cost of more than \$2,000 (not rounded) and an estimated useful life in excess of one year. Capital assets are carried at historical cost except for donated capital assets that are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	20-50 years
Utility System	20-50 years
Equipment	3-10 years
Infrastructure	20-40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

The accounting treatment of the long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

As required by GASB Statement No. 65, bond issuance costs and any costs as a result of refunding previous debt issues are now expensed the year the debt is issued.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but not used vacation and sick pay benefits. The Town pays a benefit for accumulated sick leave upon an employee's separation from service to the extent the employee meets certain criteria. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported for compensated absences in governmental funds only to the extent that it is expected to be liquidated with expendable available financial resources as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items include deferred pension amounts and deferred OPEB amounts for life insurance.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has three items (property taxes, deferred pension amounts and deferred OPEB amounts for life insurance) that qualify for reporting in this category.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets-consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position-consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These assets are reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted-all other net position is reported in this category.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Statements

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable 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 the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Town Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned** - All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

F. Revenues, Expenditures, and Expenses

Governmental Fund Revenues

As mentioned above, governmental fund revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, property taxes not collected within 45 days after year-end are reflected as deferred revenues-uncollected property taxes. The Town recognizes sales and utility taxes remitted to the Town as revenues and receivables in the month preceding receipt. Licenses and permits 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 specific expenditure.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by function for the governmental fund and by operating and nonoperating for the proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

Advertising

The Town expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. There were no advertising costs in 2021.

Fringe benefits

Fringe benefits of the Town include:

- a. Pension Plan - Employees of the Town participate in the Virginia Retirement System (VRS). VRS is administered by the Commonwealth, which bills the Town for the employer share of contributions. VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of the benefit depending on length of service and earnings.
- b. Social Security System - All employees participate in the Federal Social Security Program. The employer share of FICA taxes for the employees is the responsibility of the Town.
- c. Health Insurance - The Town provides health insurance coverage for all full-time, salaried permanent employees.

G. Estimates and Assumptions

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

H. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)**J. 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 Section 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 the 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 Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Stewardship, Compliance, and Accountability**A. Budgetary Information**

The Town Council's control is exercised through budgeting. The Town budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The Town Council approves the budget after a public hearing.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. Amounts shown in the accompanying financial statements as "budget" represent the original and final operating budgets for the fiscal year 2021. The final operating budget for the General fund included carryover funds of \$150,000.

A budget is also adopted for the Water and Sewer Funds as an operating guideline. Budget to actual information is shown as other supplementary information. Below is a summary of budgeted information that is not included in the Enterprise Fund's Statements of Revenues, Expenses and Changes in Fund Net Position- Budget and Actual:

	Original Budget	Final Budget	Actual
WATER FUND			
Prior year carryover	\$ -	\$ 130,000	\$ 130,000
Capital outlay	(200,000)	(200,000)	(162,564)
Principal paid on bonds and loans	(129,000)	(129,000)	(129,888)
	<u>\$ (329,000)</u>	<u>\$ (199,000)</u>	<u>\$ (162,452)</u>
SEWER FUND			
Prior year carryover	\$ -	\$ 300,000	\$ 300,000
Capital outlay	(305,600)	(405,600)	(385,812)
Principal paid on bonds and loans	(567,000)	(567,000)	(564,186)
	<u>\$ (872,600)</u>	<u>\$ (672,600)</u>	<u>\$ (649,998)</u>

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2021, General Fund expenditures exceeded appropriations in Public Safety by \$158,307, Cultural and Recreation by \$37,581, and Debt Service by \$33,910. These over expenditures were funded by greater than expected revenues and operating transfers into the fund.

Note 3. Deposits and Investments

Deposits

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

Investments

As of June 30, 2021, the Town had the following investment:

Virginia State Treasurer's Local Government
Investment Pool (LGIP)

Fair Value
\$ 695,715

Credit Risk

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 and the State Treasurer's Local Government Investment Pool (LGIP). The Town has no investment policy that would further limit its investment choices.

The Town's investment in the State Treasurer's Local Government Investment Pool was rated AAAm by Standard & Poors. That is the highest rating assigned to money market funds.

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

Receivables as of June 30, 2021, for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Property taxes	\$ 413,087	\$ -	\$ 413,087
Other taxes:			
Utilities tax	11,273	-	11,273
Meals tax	22,777	-	22,777
Accounts	27,873	275,832	303,705
Gross receivables	\$ 475,010	\$ 275,832	\$ 750,842
Less: allowance for uncollectibles	-	-	-
Net total receivables	\$ 475,010	\$ 275,832	\$ 750,842

Note 5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 903,191	\$ -	\$ -	\$ 903,191
Total capital assets not being depreciated	\$ 903,191	\$ -	\$ -	\$ 903,191
Capital assets being depreciated				
Buildings	\$ 1,041,880	\$ 182,698	\$ -	\$ 1,224,578
Park and improvements	2,082,000	163,966	-	2,245,966
Machinery and equipment	792,183	132,410	(17,593)	907,000
Infrastructure	3,360,080	-	-	3,360,080
Total capital assets being depreciated	\$ 7,276,143	\$ 479,074	\$ (17,593)	\$ 7,737,624
Less accumulated depreciation for				
Buildings	\$ 356,097	\$ 24,060	\$ -	\$ 380,157
Park and improvements	584,216	85,703	-	669,919
Machinery and equipment	512,309	82,081	(5,131)	589,259
Infrastructure	635,404	119,196	-	754,600
Total accumulated depreciation	\$ 2,088,026	\$ 311,040	\$ (5,131)	\$ 2,393,935
Total capital assets being depreciated, net	\$ 5,188,117	\$ 168,034	\$ (12,462)	\$ 5,343,689
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 6,091,308	\$ 168,034	\$ (12,462)	\$ 6,246,880

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 143,397	\$ -	\$ -	\$ 143,397
Total capital assets not being depreciated	\$ 143,397	\$ -	\$ -	\$ 143,397
Capital assets being depreciated				
Utility system	\$38,080,391	\$ 152,718	\$ -	\$38,233,109
Machinery and equipment	1,509,346	395,660	-	1,905,006
Total capital assets being depreciated	\$39,589,737	\$ 548,378	\$ -	\$40,138,115
Less accumulated depreciation for				
Utility system	\$ 7,205,151	\$ 768,905	\$ -	\$ 7,974,056
Machinery and equipment	1,117,090	85,554	-	1,202,644
Total accumulated depreciation	\$ 8,322,241	\$ 854,459	\$ -	\$ 9,176,700
Total capital assets being depreciated, net	\$31,267,496	\$ (306,081)	\$ -	\$30,961,415
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$31,410,893	\$ (306,081)	\$ -	\$31,104,812

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

GOVERNMENTAL ACTIVITIES

General government administration	\$ 20,135
Public safety	55,260
Public works	149,942
Cultural and recreation	85,703

Total depreciation expense-governmental activities \$ 311,040

BUSINESS-TYPE ACTIVITIES

Water	\$ 210,515
Sewer	643,944

Total depreciation expense-business-type activities \$ 854,459

NOTES TO FINANCIAL STATEMENTS

Note 6. Unavailable Revenue

The following is a summary of unavailable revenue included in deferred inflows of resources at June 30, 2021:

Fund Statements

	<u>General Fund</u>
Unavailable revenue:	
Property taxes billing in fiscal year 2022	\$ 390,411
Uncollected property tax billing	<u>21,741</u>
	<u>\$ 412,152</u>

Government-Wide Statements

	<u>Governmental Activities</u>
Unavailable revenue:	
Property taxes billing in fiscal year 2022	<u>\$ 390,411</u>

Note 7. Unearned Revenue

The following is a summary of unearned revenue included in the liabilities at June 30, 2021:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
ARPA funding for future expenditures	\$ 2,063,621	\$ -	\$ -
Water tank lease payment	-	1,825	-
Wastewater customer prepayment	<u>-</u>	<u>-</u>	<u>48,360</u>
	<u>\$ 2,063,621</u>	<u>\$ 1,825</u>	<u>\$ 48,360</u>
Summary by activity type:			
Governmental	\$ 2,063,621		
Business	50,185		

Note 8. Long-Term Debt

A summary of long-term debt activity for the year ended June 30, 2021, is as follows. Additional detailed information is available on the following pages.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within One Year</u>
<u>Government activities</u>					
<i>General Fund</i>					
Branch Banking & Trust (series 2012A bond)	\$ 196,326	\$ -	\$ (22,197)	\$ 174,129	\$ 174,129
Caterpillar Financial	<u>29,962</u>	<u>-</u>	<u>(29,962)</u>	<u>-</u>	<u>-</u>
	<u>\$ 226,288</u>	<u>\$ -</u>	<u>\$ (52,159)</u>	<u>\$ 174,129</u>	<u>\$ 174,129</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within One Year</u>
<u>Business-type activities</u>					
<i>Water Fund</i>					
Virginia Resource Authority (series 2018 bond)	\$ 5,500,408	\$ -	\$ (129,888)	\$ 5,370,520	\$ 132,386
<i>Sewer Fund</i>					
Virginia Resources Authority (series 2015A refunding bond)	7,675,000	-	(6,630,000)	1,045,000	200,000
Virginia Resources Authority (series 2015B bond)	7,033,620	-	(369,186)	6,664,434	376,574
Virginia Resources Authority (series 2020 refunding bond)	-	7,780,000	-	7,780,000	100,000
	<u>\$20,209,028</u>	<u>\$ 7,780,000</u>	<u>\$ (7,129,074)</u>	<u>\$20,859,954</u>	<u>\$ 808,960</u>

Government activities

The Town signed a financing agreement with Branch Banking and Trust Company on June 1, 2012. Proceeds from this general obligation bond (series 2012A) were used to purchase the old Ace Hardware and library buildings. The library was renovated to house the police department. Semi-annual payments on the bond commenced on December 1, 2012, in the amount of \$14,200 each, including interest at 3.2 percent. The bond matures June 5, 2022. The Town pledges its full faith and credit on the bond.

Business-type activities

The Town signed a financing agreement with the Virginia Resources Authority on July 19, 2015. Proceeds from this general obligation refunding bond (series 2015A) were \$9,090,000. The proceeds were used to expire existing debt. Preset annual principal payments on the bond vary and commenced on October 1, 2015. Semi-annual interest payments on the bond are computed based on a year of 360 days at various, preset rates and commenced October 1, 2015. The bond matures October 1, 2040. If necessary to make payments, the Town can levy an *ad valorem* tax, sufficient to pay the principal cost of funds, on all property in the Town subject to taxation. The Town also pledges its full faith and credit and revenues of its water and sewer system. During the year ended June 30, 2021, the Town authorized the issuance and sale of bonds to refund a portion of these outstanding bonds. Bonds in the principal amount of \$7,780,000 were issued and sold to the Virginia Resources Authority on September 25, 2020. Principal maturities in the amount of \$6,435,000 from the original bond were refunded and redeemed with the proceeds of the series 2020 refunding bond. Bonds totaling \$1,045,000 were not refunded under the series 2020 refunding bond. As of June 30, 2021, the outstanding principal on the unrefunded bonds (series 2015A) remained \$1,045,000. The terms of the new bond are included in the following paragraph.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

On September 25, 2020, the Town issued a general obligation and revenue refunding bond (series 2020) in the amount of \$7,780,000. Immediately subsequent to the issuance, the Town entered into an agreement to sale the bonds to the Virginia Resources Authority. The proceeds from the bonds are being used to refund and redeem a portion (\$6,435,000) of the series 2015A bonds stated in the previous paragraph. According to the Authority, the refunding of the bonds will provide a net present value savings of \$371,838. The reacquisition price exceeded the carrying amount of the old debt by \$1,281,405. This is recognized as a deferred outflow of resources, deferred charges on refunding, and amortized over the remaining life of the new debt. Preset annual principal payments on the bond vary and commenced October 1, 2021. Semi-annual interest payments on the bond are computed at various preset rates and commenced April 1, 2021. The bond matures October 1, 2040. The Town can levy an *ad valorem* tax, sufficient to pay the principal cost of funds, on all property subject to taxation. The Town also pledges its full faith and credit and revenues of its sewer system. As of June 30, 2021, the outstanding principal on the series 2020 refunding bond was \$7,780,000. Interest expense and amortization on the deferred charges on refunding for both the series 2015A and series 2020 bonds were \$222,816 and \$40,523, respectively.

The Town signed a financing agreement with the Virginia Resources Authority on July 27, 2015. The financing agreement committed up to \$7,981,020 from the Virginia Revolving Loan Fund to the Town for use towards expansion of the wastewater treatment facility. Final proceeds from this general obligation and revenue bond (series 2015B) were \$7,936,570. Semi-annual payments on the bond commenced on February 1, 2018, in the amount of \$234,184 each, including interest at 1.4 percent. The bond matures February 1, 2037. If necessary to make payments, the Town can levy an *ad valorem* tax, sufficient to pay the principal cost of funds, on all property in the Town subject to taxation. The Town also pledges its full faith and credit and revenues of its water and sewer system. As of June 30, 2021, \$1,272,136 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for the year ended June 30, 2021, was \$95,030.

The Town signed a financing agreement with the Virginia Resources Authority on February 1, 2018. The financing agreement committed up to \$5,600,000 from the Virginia Revolving Loan Fund to the Town for use towards expansion of the water treatment plant. Final proceeds from this general obligation and revenue bond (series 2018) were \$5,564,599. Semi-annual payments on the bond commenced March 1, 2019, in the amount of \$137,397 each, including interest of 2.65 percent. The loan matures March 1, 2049. If necessary to make payments, the Town can levy an *ad valorem* tax, sufficient to pay the principal cost of funds, on all property in the Town subject to taxation. The Town also pledges its full faith and credit and revenues of its water and sewer system. As of June 30, 2021, \$194,079 has been applied against the principal portion of the loan. The total interest expense incurred on the loan for the year ended June 30, 2021, was \$143,626.

Annual requirements to amortize long-term debt and related interest at June 30, 2021, are as follows:

Governmental-Type Activities

<u>Year Ending June 30</u>	<u>Branch Banking & Trust Series 2012A bond</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 174,129	\$ 5,113

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Business-Type Activities

<u>Year Ending</u> <u>June 30</u>	<u>Virginia Resources</u> <u>Authority</u> <u>(Series 2015A bond)</u>		<u>Virginia Resources</u> <u>Authority</u> <u>(Series 2015B bond)</u>		<u>Virginia Resources</u> <u>Authority</u> <u>(Series 2018 bond)</u>		<u>Virginia Resources</u> <u>Authority</u> <u>(Series 2020 bond)</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 200,000	\$ 29,609	\$ 376,574	\$ 89,794	\$ 132,386	\$ 142,408	\$ 100,000	\$ 167,698
2023	205,000	23,997	381,864	84,504	135,887	138,907	100,000	167,258
2024	205,000	17,823	387,229	79,139	139,512	135,282	100,000	166,730
2025	215,000	11,082	392,669	73,699	143,233	131,561	100,000	166,040
2026	220,000	3,776	398,186	68,182	147,054	127,740	100,000	165,184
2027-2031	-	-	2,076,429	255,411	796,249	577,721	1,705,000	766,061
2032-2036	-	-	2,226,444	105,396	908,270	465,700	1,850,000	604,455
2037-2041	-	-	425,039	41,329	1,036,051	337,919	3,725,000	285,686
2042-2046	-	-	-	-	1,181,809	192,163	-	-
2047-2049	-	-	-	-	750,069	36,919	-	-
	<u>\$ 1,045,000</u>	<u>\$ 86,287</u>	<u>\$ 6,664,434</u>	<u>\$ 797,454</u>	<u>\$ 5,370,520</u>	<u>\$ 2,286,320</u>	<u>\$ 7,780,000</u>	<u>\$ 2,489,112</u>

Note 9. Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer 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.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

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 that follows:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 VRS 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.</p>	<p>About Plan 2 Plan 2 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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • 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.
<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>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 VRS Plan 2 (as applicable) or ORP.</p>

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>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.</p>
<p>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.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required, except as governed by law.</p>
<p>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</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> 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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier 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. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that 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. Not applicable to sheriffs, regional jail superintendents and political subdivision hazardous duty employees.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>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.</p>	<p>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 equals 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>Political subdivisions hazardous duty employees: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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%.</p> <p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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 under the Virginia Sickness and Disability Program (VSDP). • 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. 	<p>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%.</p> <p>Eligibility: Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>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.</p>	<p>Disability Coverage Employees of political subdivision (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.</p> <p>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.</p>

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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 toward 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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exception: <ul style="list-style-type: none"> 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	9
Inactive members:	
Vested inactive members	2
Non-vested inactive members	1
Inactive members active elsewhere in VRS	7
Total inactive members	<u>10</u>
Active members	<u>20</u>
Total covered employees	<u>39</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 percent of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2021 was 11.96 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$134,465 and \$116,901 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)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 the political subdivision, 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	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, 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 percent 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 percent. However, since the difference was minimal, and a more conservative 6.75 percent 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 percent to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% 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.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

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:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased from 7% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased from 7% to 6.75%

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the 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	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, 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 percent 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 percent. However, since the difference was minimal, and a more conservative 6.75 percent 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 percent to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

All Others (Non 10 Largest) – Non-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:

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased from 7% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased from 7% to 6.75%

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.14 percent. 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 percent, including expected inflation of 2.50 percent. On October 10, 2019, the VRS Board elected a long-term rate of 6.75 percent 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 FY2020 actuarial valuations, provide a median return of 6.81 percent.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. 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 percent of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to contribute 100 percent 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.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 3,792,364	\$ 3,322,565	\$ 469,799
Changes for the year:			
Service cost	\$ 146,703	\$ -	\$ 146,703
Interest	250,751	-	250,751
Changes of assumptions	-	-	-
Differences between expected and actual experience	80,063	-	80,063
Contributions - employer	-	116,902	(116,902)
Contributions - employee	-	52,602	(52,602)
Net investment income	-	63,726	(63,726)
Benefit payments, including refunds of employee contributions	(155,081)	(155,081)	-
Administrative expenses	-	(2,105)	2,105
Other changes	-	(77)	77
Net changes	\$ 322,436	\$ 75,967	\$ 246,469
Balances at June 30, 2020	\$ 4,114,800	\$ 3,398,532	\$ 716,268

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability	\$ 1,249,297	\$ 716,268	\$ 273,991

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

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

For the year ended June 30, 2021, the political subdivision recognized pension expense of \$168,321. At June 30, 2021, the political subdivision 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	\$ 90,117	\$ 68,632
Change in assumptions	68,643	7,120
Net difference between projected and actual earnings on pension plan investments	102,582	-
Employer contributions subsequent to the measurement date	<u>134,465</u>	<u>-</u>
Total	<u>\$ 395,807</u>	<u>\$ 75,752</u>

The amount of \$134,465 reported as deferred outflows of resources related to pensions resulting from the 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 as follows:

Year ended June 30

2022	\$ 7,101
2023	52,500
2024	76,665
2025	49,324
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* (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at PO Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, the Town reported a payable of \$15,778 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance (Continued)

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 service credit, 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 percent 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 percent (1.34 percent X 60 percent) and the employer component was 0.54 percent (1.34 percent X 40 percent). 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 percent 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 \$14,935 and \$14,003 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 entity reported a liability of \$86,612 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 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 .00519 percent as compared to .00519 percent at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$12,862. 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.

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance (Continued)

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	\$ 5,555	\$ 778
Net difference between projected and actual earnings on GLI OPEB investments	2,602	-
Change in assumptions	4,332	1,809
Change in proportion	1,211	-
Employer contributions subsequent to the measurement date	<u>5,974</u>	<u>-</u>
Total	<u>\$ 19,674</u>	<u>\$ 2,587</u>

\$5,974 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:

Year ended June 30

2022	\$ 1,869
2023	2,604
2024	3,029
2025	2,855
2026	707
Thereafter	49

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance (Continued)

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	2.5 percent
Salary increases, including inflation	
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, 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 percent 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 percent. However, since the difference was minimal, and a more conservative 6.75 percent 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 percent 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.

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance (Continued)

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

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	Decreased rate from 7% 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)	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	Decreased rate from 7% to 6.75%

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance (Continued)

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	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>	<u>6.49%</u>	<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>

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance (Continued)

* The above allocation provides a one-year return of 7.14 percent. 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 percent, including expected inflation of 2.50 percent. On October 10, 2019, the VRS Board elected a long-term rate of 6.75 percent 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 percent. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81 percent.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75 percent. 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 percent of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to contribute 100 percent 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 percent, 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 percent) or one percentage point higher (7.75 percent) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 113,859	\$ 86,612	\$ 64,486

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* (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at PO Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS

Note 10. Group Life Insurance (Continued)Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2021, the Town reported a payable of \$1,242 from the Town to the VRS Group Life Insurance OPEB Plan.

Note 11. Operating Lease Commitments

The Town receives rental income from three operating leases.

The Town leases land behind the wastewater treatment facility to a farmer on a year-to-year operating lease. This lease revenue is presented in the General Fund. The rents received from this lease during the fiscal year ended June 30, 2021, were \$14,000.

The Town leases its water tank to two communication companies under noncancelable operating leases for five years. The annual rents received from each lease are \$21,901 and \$3,200, respectively. Each lease has additional renewal terms. The companies use the tank to mount their antennas. The following is a schedule by years of future minimum rentals under the current terms of the leases:

Year ended June 30

2022	\$ 46,722
2023	49,186
2024	49,186
2025	49,186
2026	49,386
	<u>\$ 243,666</u>

The total rental income from these leases that is included in the Water Fund's statement of revenues and expenses for the year ended June 30, 2021, was \$25,101.

The Town leases a spring under a noncancelable operating lease. The lease calls for the Town to pay annual rent of \$5,000 until the time the Town begins withdrawing water. Once that occurs, the Town will pay annually the greater of \$5,000 or 5 cents for each 1,000 gallons withdrawn. The lease originated March, 2003, and runs for a period of 99 years. For the year ended June 30, 2021, lease expense in the Water Fund's statement of revenues and expenses was \$5,000.

Note 12. 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 has insurance coverage with the Virginia Risk Sharing Association (VRSA). The Town has joined with nearly 500 local political subdivisions in Virginia to form this public entity risk pool that operates as a common risk management and insurance program for members. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 13. Revolving Lines of Credit

The Town has two revolving lines of credit with BB&T, one reported in the General Fund and the other in the Sewer Fund. Each line of credit had \$50,000 unused at June 30, 2021. Bank advances on the credit lines are payable on demand and carry interest at the bank's prime rate. The credit lines are secured by the full faith and credit of the Town.

Note 14. Interfund Transfers

Interfund transfers during the year ended June 30, 2021, are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 22,606	\$ 687
Water Fund	318,293	24,164
Sewer Fund	12,861	329,596
RBEG	<u>687</u>	<u>-</u>
	<u>\$ 354,447</u>	<u>\$ 354,447</u>

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

Note 15. Major Customers

The Town has two major wastewater customers, Pilgrims Pride Corporation and the Town of New Market, Virginia. For the purposes of this report, major customers are defined as customers with revenue greater than ten percent (10%) of the total revenue in a fund. For the year ended June 30, 2021, sewer revenues from Pilgrims Pride Corporation and the Town of New Market, Virginia, were \$2,241,833 and \$412,748, respectively. Accounts receivable from Pilgrims Pride Corporation and the Town of New Market, Virginia, at June 30, 2021 were \$32,918 and \$24,335, respectively.

Note 16. Transactions with Related Parties

Chad L. Comer, Councilman during the period July 1, 2020 to June 30, 2021, is owner of Blue Ribbon Nursery. During the period, the Town spent \$4,071 at the business for mulch, decorations, and landscaping.

**Required Supplementary Information
Other than Management's Discussion and Analysis**

TOWN OF BROADWAY, VIRGINIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	\$ 305,278	\$ 305,278	\$ 366,528	\$ 61,250
Other local taxes	784,000	784,000	913,932	129,932
Permits, privilege fees and regulatory license	7,000	7,000	8,663	1,663
Fines and forfeitures	14,000	14,000	8,665	(5,335)
Revenue from the use of money and property	17,500	17,500	14,559	(2,941)
Charges for services	268,000	268,000	316,499	48,499
Miscellaneous	9,500	9,500	58,928	49,428
Intergovernmental revenues:				
Commonwealth	595,722	595,722	637,229	41,507
Federal	2,000	226,000	227,351	1,351
Total revenues	<u>\$ 2,003,000</u>	<u>\$ 2,227,000</u>	<u>\$ 2,552,354</u>	<u>\$ 325,354</u>
EXPENDITURES				
General government administration	\$ 547,700	\$ 771,700	\$ 691,463	\$ 80,237
Public safety	601,200	681,200	839,507	(158,307)
Public works	753,500	753,500	488,703	264,797
Cultural and recreation	218,500	288,500	326,081	(37,581)
Community development	30,000	30,000	21,372	8,628
Debt service	28,400	28,400	62,310	(33,910)
Total expenditures	<u>\$ 2,179,300</u>	<u>\$ 2,553,300</u>	<u>\$ 2,429,436</u>	<u>\$ 123,864</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (176,300)</u>	<u>\$ (326,300)</u>	<u>\$ 122,918</u>	<u>\$ 449,218</u>
OTHER FINANCING SOURCES				
(USES)				
Transfers in	\$ 176,300	\$ 176,300	\$ 22,606	\$ (153,694)
Transfers out	-	-	(687)	(687)
Total other financing sources (uses)	<u>\$ 176,300</u>	<u>\$ 176,300</u>	<u>\$ 21,919</u>	<u>\$ (154,381)</u>
Net change in fund balance	\$ -	\$ (150,000)	\$ 144,837	\$ 294,837
FUND BALANCE AT BEGINNING OF YEAR	<u>408,817</u>	<u>408,817</u>	<u>408,817</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 408,817</u>	<u>\$ 258,817</u>	<u>\$ 553,654</u>	<u>\$ 294,837</u>

TOWN OF BROADWAY, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONSSCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS

	2020	2019
Total pension liability		
Service cost	\$ 146,703	\$ 135,769
Interest	250,751	234,193
Changes of benefit terms	-	-
Differences between expected and actual experience	80,063	39,190
Changes in assumptions	-	113,073
Benefit payments, including refunds of employee contributions	(155,081)	(150,963)
Net change in total pension liability	<u>322,436</u>	<u>371,262</u>
Total pension liability – beginning	<u>3,792,364</u>	<u>3,421,102</u>
Total pension liability – ending (a)	<u>\$ 4,114,800</u>	<u>\$ 3,792,364</u>
Plan fiduciary net position		
Contributions – employer	\$ 116,902	\$ 111,620
Contributions – employee	52,602	50,178
Net investment income	63,726	209,051
Benefit payments, including refunds of employee contributions	(155,081)	(150,963)
Administrative expense	(2,105)	(1,994)
Other	(77)	(133)
Net change in plan fiduciary net position	<u>75,967</u>	<u>217,759</u>
Plan fiduciary net position – beginning	<u>3,322,565</u>	<u>3,104,806</u>
Plan fiduciary net position – ending (b)	<u>\$ 3,398,532</u>	<u>\$ 3,322,565</u>
Political subdivision's net pension liability – ending (a) - (b)	<u>\$ 716,268</u>	<u>\$ 469,799</u>
Plan fiduciary net position as a percentage of the total pension liability	82.59%	87.61%
Covered payroll	\$ 1,085,432	\$ 1,039,275
Political subdivision's net pension liability as a percentage of covered payroll	65.99%	45.20%

(Continued)

TOWN OF BROADWAY, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONSSCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 130,475	\$ 125,939	\$ 115,608	\$ 109,478	\$ 102,639
Interest	228,515	223,235	209,491	187,003	175,437
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(130,915)	(76,231)	31,058	159,777	-
Changes in assumptions	-	(38,424)	-	-	-
Benefit payments, including refunds of employee contributions	(142,951)	(175,235)	(144,386)	(125,626)	(100,060)
Net change in total pension liability	85,124	59,284	211,771	330,632	178,016
Total pension liability – beginning	3,335,978	3,276,694	3,064,923	2,734,291	2,556,275
Total pension liability – ending (a)	\$ 3,421,102	\$ 3,335,978	\$ 3,276,694	\$ 3,064,923	\$ 2,734,291
Plan fiduciary net position					
Contributions – employer	\$ 118,028	\$ 110,799	\$ 86,408	\$ 88,799	\$ 117,477
Contributions – employee	48,581	45,535	42,415	43,816	43,382
Net investment income	212,973	313,775	44,495	111,983	328,591
Benefit payments, including refunds of employee contributions	(142,951)	(175,235)	(144,386)	(125,626)	(100,060)
Administrative expense	(1,781)	(1,794)	(1,570)	(1,502)	(1,703)
Other	(193)	(280)	(19)	(25)	18
Net change in plan fiduciary net position	234,657	292,800	27,343	117,445	387,705
Plan fiduciary net position – beginning	2,870,149	2,577,349	2,550,006	2,432,561	2,044,856
Plan fiduciary net position – ending (b)	\$ 3,104,806	\$ 2,870,149	\$ 2,577,349	\$ 2,550,006	\$ 2,432,561
Political subdivision's net pension liability – ending (a) - (b)	\$ 316,296	\$ 465,829	\$ 699,345	\$ 514,917	\$ 301,730
Plan fiduciary net position as a percentage of the total pension liability	90.75%	86.04%	78.66%	83.20%	88.96%
Covered payroll	\$ 977,058	\$ 917,906	\$ 852,981	\$ 876,758	\$ 861,615
Political subdivision's net pension liability as a percentage of covered payroll	32.37%	50.75%	81.99%	58.73%	35.02%

(Continued)

TOWN OF BROADWAY, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONSSCHEDULE OF EMPLOYER CONTRIBUTIONS
Years Ended June 30, 2015 through 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2015	\$ 88,773	\$ 88,773	\$ -	\$ 876,758	10.13%
2016	86,407	86,407	-	852,981	10.13%
2017	110,883	110,883	-	917,906	12.08%
2018	118,029	118,029	-	977,058	12.08%
2019	111,930	111,930	-	1,039,276	10.77%
2020	116,901	116,901	-	1,085,432	10.77%
2021	134,465	134,465	-	1,124,289	11.96%

Schedules are intended to show information for 10 years. Since this is the seventh year for this presentation, only seven years of data are available. However, additional years will be included as they become available.

Notes to Required Supplemental 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:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7% to 6.75%

TOWN OF BROADWAY, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

Notes to Required Supplemental Information For the Year Ended June 30, 2020 (Continued)

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7% to 6.75%

TOWN OF BROADWAY, VIRGINIA

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY –
GROUP LIFE INSURANCE PROGRAM AND SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
- GROUP LIFE INSURANCE PROGRAM**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	.00519%	.00519%	.00518%	.00501%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 86,612	\$ 84,455	\$ 78,000	\$ 75,000
Employer's Covered Payroll	\$ 1,085,432	\$ 1,039,276	\$ 977,058	\$ 917,906
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.98%	8.13%	7.98%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
Years Ended June 30, 2018 through 2021**

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
<u>Date</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>
2018	\$ 5,167	\$ 5,167	\$ -	\$ 977,058	.053%
2019	5,351	5,351	-	1,039,276	.051%
2020	5,601	5,601	-	1,085,432	.051%
2021	5,974	5,974	-	1,124,289	.053%

Schedules are intended to show information for 10 years. Since this is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.

TOWN OF BROADWAY, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY –
GROUP LIFE INSURANCE PROGRAM AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

Notes to Required Supplemental 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:

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	Decreased rate from 7% 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	Decreased rate from 7% to 6.75%

Other Supplementary Information

TOWN OF BROADWAY, VIRGINIA

GENERAL FUND
STATEMENT OF REVENUES, COMPARED TO BUDGET
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL PROPERTY TAXES				
Real estate	\$ 198,000	\$ 198,000	\$ 206,232	\$ 8,232
Personal property	99,778	99,778	151,353	51,575
Public service corporations	3,500	3,500	3,957	457
Penalties and interest	4,000	4,000	4,986	986
	<u>\$ 305,278</u>	<u>\$ 305,278</u>	<u>\$ 366,528</u>	<u>\$ 61,250</u>
OTHER LOCAL TAXES				
Local sales and use	\$ 197,000	\$ 197,000	\$ 264,224	\$ 67,224
Utility taxes	115,000	115,000	107,831	(7,169)
Business licenses	75,000	75,000	85,573	10,573
Motor vehicle licenses	74,000	74,000	75,083	1,083
Meals tax	150,000	150,000	215,272	65,272
Bank stock	112,000	112,000	101,859	(10,141)
DMV fees	-	-	3,870	3,870
Cigarette tax	61,000	61,000	60,220	(780)
	<u>\$ 784,000</u>	<u>\$ 784,000</u>	<u>\$ 913,932</u>	<u>\$ 129,932</u>
PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES				
Zoning fees	\$ 7,000	\$ 7,000	\$ 8,663	\$ 1,663
	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 8,663</u>	<u>\$ 1,663</u>
FINES AND FORFEITURES				
Police fines	\$ 14,000	\$ 14,000	\$ 8,665	\$ (5,335)
	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 8,665</u>	<u>\$ (5,335)</u>
REVENUE FROM THE USE OF MONEY AND PROPERTY				
Interest on bank deposits	\$ 3,500	\$ 3,500	\$ 1,157	\$ (2,343)
Net (decrease) in the fair value of investments	-	-	(598)	(598)
Land lease	14,000	14,000	14,000	-
	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ 14,559</u>	<u>\$ (2,941)</u>
CHARGES FOR SERVICES				
Trash collection fees	\$ 210,000	\$ 210,000	\$ 236,538	\$ 26,538
Parks revenue	58,000	58,000	79,961	21,961
	<u>\$ 268,000</u>	<u>\$ 268,000</u>	<u>\$ 316,499</u>	<u>\$ 48,499</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA

GENERAL FUND
STATEMENT OF REVENUES, COMPARED TO BUDGET
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
MISCELLANEOUS				
Other	\$ 9,500	\$ 9,500	\$ 1,567	\$ (7,933)
Donations	-	-	57,361	57,361
	<u>\$ 9,500</u>	<u>\$ 9,500</u>	<u>\$ 58,928</u>	<u>\$ 49,428</u>
INTERGOVERNMENTAL REVENUES				
Commonwealth				
Rolling stock taxes	\$ 3,000	\$ 3,000	\$ 2,861	\$ (139)
Fire program funds	12,000	12,000	15,000	3,000
Law enforcement grants, 599 funds	63,000	63,000	68,743	5,743
Department of Criminal Justice Services grant	-	-	29,045	29,045
Personal property tax reimbursement	33,222	33,222	33,222	-
Highway maintenance funds	480,000	480,000	475,093	(4,907)
Art grant	4,500	4,500	4,500	-
Stormwater Local Assistance Grant, Linville Creek	-	-	8,765	8,765
	<u>\$ 595,722</u>	<u>\$ 595,722</u>	<u>\$ 637,229</u>	<u>\$ 41,507</u>
Federal				
DMV Highway Safety Program grants	\$ 2,000	\$ 2,000	\$ 2,701	\$ 701
Fish and Wildlife Foundation grant, Linville Creek	-	-	20,000	20,000
CARES Act funding, passed through County	-	224,000	204,650	(19,350)
	<u>\$ 2,000</u>	<u>\$ 226,000</u>	<u>\$ 227,351</u>	<u>\$ 1,351</u>
Total revenues	<u>\$ 2,003,000</u>	<u>\$ 2,227,000</u>	<u>\$ 2,552,354</u>	<u>\$ 325,354</u>

TOWN OF BROADWAY, VIRGINIA
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL GOVERNMENT ADMINISTRATION				
General Government				
Town council salaries	\$ 25,100	\$ 25,100	\$ 24,480	\$ 620
Salaries and wages	225,000	225,000	223,178	1,822
Employee benefits	57,000	57,000	48,688	8,312
Payroll taxes	18,500	18,500	17,051	1,449
Buildings and grounds	10,000	10,000	24,847	(14,847)
Cigarette stamps	-	-	88	(88)
DMV fees	3,000	3,000	3,175	(175)
Donations	27,000	27,000	12,500	14,500
Dues and memberships	6,000	6,000	4,012	1,988
Insurance and surety bonds	30,000	30,000	23,502	6,498
Miscellaneous	12,000	12,000	38,677	(26,677)
Office supplies and postage	9,000	9,000	11,247	(2,247)
Professional services	68,000	68,000	52,469	15,531
Publications	3,000	3,000	1,886	1,114
Service fees	12,000	12,000	8,588	3,412
Travel/educational	12,000	12,000	1,695	10,305
Telephone	3,600	3,600	4,690	(1,090)
Utilities and fuel	6,500	6,500	7,091	(591)
	<u>\$ 527,700</u>	<u>\$ 527,700</u>	<u>\$ 507,864</u>	<u>\$ 19,836</u>
Other				
CARES Act:				
Capital outlay	\$ -	\$ 182,000	\$ 166,021	\$ 15,979
Non-capital items	-	42,000	5,801	36,199
	<u>\$ -</u>	<u>\$ 224,000</u>	<u>\$ 171,822</u>	<u>\$ 52,178</u>
Capital Outlay				
General government	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 11,777</u>	<u>\$ 8,223</u>
	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 11,777</u>	<u>\$ 8,223</u>
Total general government administration	<u>\$ 547,700</u>	<u>\$ 771,700</u>	<u>\$ 691,463</u>	<u>\$ 80,237</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 344,000	\$ 344,000	\$ 398,943	\$ (54,943)
Employee benefits	91,000	91,000	93,516	(2,516)
Payroll taxes	26,500	26,500	28,650	(2,150)
Insurance	11,000	11,000	11,633	(633)
Telephone	8,000	8,000	6,892	1,108
Uniforms and supplies	35,000	115,000	81,832	33,168
Utilities, heat and electric	3,700	3,700	6,018	(2,318)
Vehicle maintenance	20,000	20,000	29,713	(9,713)
	<u>\$ 539,200</u>	<u>\$ 619,200</u>	<u>\$ 657,197</u>	<u>\$ (37,997)</u>
Other				
Fire program funds	\$ 12,000	\$ 12,000	\$ 15,000	\$ (3,000)
Fire department donation	15,000	15,000	15,000	-
Rescue squad donation	15,000	15,000	15,000	-
	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 45,000</u>	<u>\$ (3,000)</u>
Capital Outlay				
Public safety	\$ 20,000	\$ 20,000	\$ 137,310	\$ (117,310)
	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 137,310</u>	<u>\$ (117,310)</u>
Total public safety	<u>\$ 601,200</u>	<u>\$ 681,200</u>	<u>\$ 839,507</u>	<u>\$ (158,307)</u>
PUBLIC WORKS				
Maintenance and Streets				
Salaries and wages	\$ 55,000	\$ 55,000	\$ 55,794	\$ (794)
Employee benefits	9,700	9,700	12,337	(2,637)
Payroll taxes	3,500	3,500	4,136	(636)
Beautification	26,500	26,500	18,737	7,763
Electricity-street lights	48,000	48,000	45,497	2,503
Street maintenance	416,800	416,800	130,875	285,925
	<u>\$ 559,500</u>	<u>\$ 559,500</u>	<u>\$ 267,376</u>	<u>\$ 292,124</u>
Sanitation				
Garbage collection	\$ 194,000	\$ 194,000	\$ 221,327	\$ (27,327)
	<u>\$ 194,000</u>	<u>\$ 194,000</u>	<u>\$ 221,327</u>	<u>\$ (27,327)</u>
Capital Outlay				
Public works	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total public works	<u>\$ 753,500</u>	<u>\$ 753,500</u>	<u>\$ 488,703</u>	<u>\$ 264,797</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CULTURAL AND RECREATION				
Parks and Recreation				
Salaries and wages	\$ 57,000	\$ 57,000	\$ 62,146	\$ (5,146)
Payroll taxes	4,000	4,000	4,754	(754)
Operating expenses	56,000	56,000	69,414	(13,414)
Utilities and fuel	15,000	15,000	13,786	1,214
Miscellaneous	6,000	6,000	515	5,485
Contractual services	12,000	12,000	11,500	500
	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 162,115</u>	<u>\$ (12,115)</u>
Capital Outlay	<u>\$ 68,500</u>	<u>\$ 138,500</u>	<u>\$ 163,966</u>	<u>\$ (25,466)</u>
	<u>\$ 68,500</u>	<u>\$ 138,500</u>	<u>\$ 163,966</u>	<u>\$ (25,466)</u>
Total cultural and recreation	<u>\$ 218,500</u>	<u>\$ 288,500</u>	<u>\$ 326,081</u>	<u>\$ (37,581)</u>
COMMUNITY DEVELOPMENT				
Planning and development	\$ 10,000	\$ 10,000	\$ 471	\$ 9,529
Economic development	20,000	20,000	20,901	(901)
Total community development	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 21,372</u>	<u>\$ 8,628</u>
DEBT SERVICE				
Principal on loans	\$ 21,000	\$ 21,000	\$ 52,159	\$ (31,159)
Interest on loans	7,400	7,400	10,151	(2,751)
Total debt service	<u>\$ 28,400</u>	<u>\$ 28,400</u>	<u>\$ 62,310</u>	<u>\$ (33,910)</u>
Total expenditures	<u>\$ 2,179,300</u>	<u>\$ 2,553,300</u>	<u>\$ 2,429,436</u>	<u>\$ 123,864</u>

TOWN OF BROADWAY, VIRGINIA

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES				
Charges for services	\$ 600,000	\$ 600,000	\$ 585,956	\$ (14,044)
Connection fees	67,500	67,500	149,400	81,900
Miscellaneous	4,000	4,000	9,566	5,566
Total operating revenues	<u>\$ 671,500</u>	<u>\$ 671,500</u>	<u>\$ 744,922</u>	<u>\$ 73,422</u>
OPERATING EXPENSES				
Salaries and wages	\$ 165,000	\$ 165,000	\$ 181,112	\$ (16,112)
Employee benefits	28,000	28,000	31,583	(3,583)
Payroll taxes	13,000	13,000	13,618	(618)
Water purchases - Co-Op	5,000	5,000	13,835	(8,835)
Chemicals	40,000	40,000	37,408	2,592
Insurance	15,000	15,000	13,341	1,659
Miscellaneous	5,000	5,000	2,563	2,437
Postage	6,500	6,500	1,648	4,852
Professional fees	-	-	25,995	(25,995)
Repairs and maintenance	100,000	155,000	158,503	(3,503)
Supplies	3,000	3,000	3,122	(122)
Utilities and fuel	49,000	49,000	52,302	(3,302)
Telephone	5,000	5,000	6,567	(1,567)
Vehicle maintenance	12,000	12,000	12,721	(721)
Depreciation	-	-	210,515	(210,515)
Total operating expenses	<u>\$ 446,500</u>	<u>\$ 501,500</u>	<u>\$ 764,833</u>	<u>\$ (263,333)</u>
Operating income (loss)	<u>\$ 225,000</u>	<u>\$ 170,000</u>	<u>\$ (19,911)</u>	<u>\$ (189,911)</u>
NONOPERATING REVENUES (EXPENSE)				
Interest earned	\$ 3,500	\$ 3,500	\$ 1,345	\$ (2,155)
Lease of water tank space	40,000	40,000	25,101	(14,899)
Interest expense	(146,000)	(221,000)	(143,626)	77,374
Spring lease fees	(5,000)	(5,000)	(5,000)	-
Total nonoperating revenues (expense)	<u>\$ (107,500)</u>	<u>\$ (182,500)</u>	<u>\$ (122,180)</u>	<u>\$ 60,320</u>
Income (loss) before contributions and transfers	<u>\$ 117,500</u>	<u>\$ (12,500)</u>	<u>\$ (142,091)</u>	<u>\$ (129,591)</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CAPITAL CONTRIBUTIONS				
Donation, water tank painting	\$ -	\$ -	\$ 90,000	\$ 90,000
Total capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>
TRANSFERS				
Transfers in	\$ 211,500	\$ 211,500	\$ 318,293	\$ 106,793
Transfers out	<u>-</u>	<u>-</u>	<u>(24,164)</u>	<u>(24,164)</u>
	<u>\$ 211,500</u>	<u>\$ 211,500</u>	<u>\$ 294,129</u>	<u>\$ 82,629</u>
Change in net position	\$ 329,000	\$ 199,000	\$ 242,038	\$ 43,038
NET POSITION AT BEGINNING OF YEAR	<u>2,768,707</u>	<u>2,768,707</u>	<u>2,768,707</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 3,097,707</u>	<u>\$ 2,967,707</u>	<u>\$ 3,010,745</u>	<u>\$ 43,038</u>

TOWN OF BROADWAY, VIRGINIA

SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES				
Wastewater contracts	\$ 2,775,500	\$ 2,775,500	\$ 2,669,072	\$ (106,428)
Charges for services	400,000	400,000	412,795	12,795
Connection fees	69,000	69,000	152,720	83,720
Sludge revenue	500,000	500,000	491,352	(8,648)
Miscellaneous	5,000	5,000	-	(5,000)
Total operating revenues	<u>\$ 3,749,500</u>	<u>\$ 3,749,500</u>	<u>\$ 3,725,939</u>	<u>\$ (23,561)</u>
OPERATING EXPENSES				
Salaries and wages	\$ 490,000	\$ 490,000	\$ 591,142	\$ (101,142)
Employee benefits	150,000	150,000	182,129	(32,129)
Payroll taxes	38,000	38,000	40,839	(2,839)
Chemicals	350,000	350,000	288,091	61,909
Insurance	16,000	16,000	14,049	1,951
Lab testing	85,000	85,000	89,116	(4,116)
Miscellaneous	4,000	4,000	3,524	476
Postage	1,600	1,600	1,642	(42)
Professional fees	10,000	10,000	20,633	(10,633)
Repairs and maintenance	168,000	368,000	306,084	61,916
Supplies	4,000	4,000	4,400	(400)
Sludge removal	300,000	300,000	203,488	96,512
Utilities and fuel	450,000	450,000	422,224	27,776
Telephone	14,000	14,000	12,241	1,759
Depreciation	-	-	643,944	(643,944)
Total operating expenses	<u>\$ 2,080,600</u>	<u>\$ 2,280,600</u>	<u>\$ 2,823,546</u>	<u>\$ (542,946)</u>
Operating income	<u>\$ 1,668,900</u>	<u>\$ 1,468,900</u>	<u>\$ 902,393</u>	<u>\$ (566,507)</u>
NONOPERATING REVENUE (EXPENSE)				
Interest earned	\$ 7,500	\$ 7,500	\$ 2,037	\$ (5,463)
Unrealized (loss) on investments	-	-	(2,008)	(2,008)
Debt issuance costs	-	-	(63,209)	(63,209)
Interest expense	(416,000)	(416,000)	(358,369)	57,631
Total nonoperating revenue (expense)	<u>\$ (408,500)</u>	<u>\$ (408,500)</u>	<u>\$ (421,549)</u>	<u>\$ (13,049)</u>
Income before transfers	<u>\$ 1,260,400</u>	<u>\$ 1,060,400</u>	<u>\$ 480,844</u>	<u>\$ (579,556)</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA

SEWER FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
TRANSFERS				
Transfers in	\$ -	\$ -	\$ 12,861	\$ 12,861
Transfers out	<u>(387,800)</u>	<u>(387,800)</u>	<u>(329,596)</u>	<u>58,204</u>
	<u>\$ (387,800)</u>	<u>\$ (387,800)</u>	<u>\$ (316,735)</u>	<u>\$ 71,065</u>
 Change in net position	 \$ 872,600	 \$ 672,600	 \$ 164,109	 \$ (508,491)
NET POSITION AT BEGINNING OF YEAR	<u>9,072,513</u>	<u>9,072,513</u>	<u>9,072,513</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 9,945,113</u>	<u>\$ 9,745,113</u>	<u>\$ 9,236,622</u>	<u>\$ (508,491)</u>

TOWN OF BROADWAY, VIRGINIA
SCHEDULE OF CAPITAL ADDITIONS
Year Ended June 30, 2021

GENERAL FUND

Government administration buildings:	
Carpet, municipal building (CARES funds)	\$ 16,037
Touch free sinks (CARES funds)	12,474
Shultz Theatre renovation, in progress	11,777
Teller window, municipal building (CARES funds)	5,973
Public safety equipment:	
7 body cameras	93,967
3 radios	12,052
Police dog	11,500
3 truck vaults	10,608
Laptop system for vehicles	4,283
Public safety building:	
Police department addition (CARES funds)	58,818
Police department renovation, in progress	4,900
Public works building:	
Maintenance building addition (CARES funds)	72,719
Park improvements and equipment:	
Zipline	44,844
Rope Venture web climber	33,300
Linville Creek restoration	25,051
Pool house renovation, in progress	16,538
Heritage Park – light project, in progress	14,208
Hand sanitizer station	12,075
Rock-It climbing rock	8,600
Heritage Park – path paving	5,400
Community Center roof, in progress	3,950
Total general fund	\$ 479,074

WATER FUND

Exterior paint on water tank	\$ 90,685
Automation project	62,031
Turbidimeter	6,056
Juniper Archer computer	3,792
Total water fund	\$ 162,564

SEWER FUND

Cargill pump station improvement	\$ 321,579
Dri-Prime electric pump	46,068
Camera system	14,373
Juniper Archer computer	3,792
Total sewer fund	\$ 385,812

TOWN OF BROADWAY, VIRGINIA

PLEDGE – REVENUE COVERAGE
Years Ended June 30, 2021 and 2020
UTILITY – WATER BOND (WATER FUND)

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage (4)
				Principal	Interest	Total	
2021	\$ 1,089,661	\$ 559,318	\$ 530,343	\$ 129,888	\$ 143,626	\$ 273,514	1.94
2020	968,887	515,234	453,653	64,191	145,670	209,861	2.16

UTILITY – SEWER BONDS (SEWER FUND)

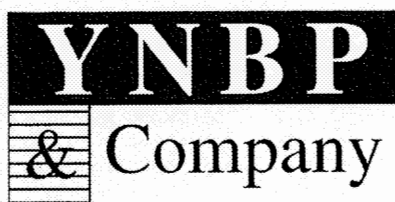
Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage (4)
				Principal	Interest	Total	
2021	\$ 3,740,837	\$ 2,179,602	\$ 1,561,235	\$ 564,186	\$ 358,369	\$ 922,555	1.69
2020	3,729,923	2,193,030	1,536,893	554,070	435,485	989,555	1.55

(1) Gross revenues include operating revenues, transfers in, interest income and rental income.

(2) Operating expenses are exclusive of depreciation and interest expense.

(3) Includes principal and interest of debt that falls under the debt covenant requirements of the Virginia Resources Authority.

(4) The debt service coverage ratio is calculated as Net Revenue Available for Debt Service divided by Total Debt Service Requirements.



David W. Black, CPA
Managing Partner

Christopher R. Montgomery, CPA
Tax Partner

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

To the Honorable Town Council
Town of Broadway
PO Box 156
Broadway, VA 22815

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Town of Broadway, 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 Broadway's basic financial statements, and have issued our report thereon dated November 10, 2021.

Internal Control Over Financial Reporting

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

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

Young, Nicholas, Branner & Phillips, LLP
Certified Public Accountants

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Retired Partners
Edward M. Young, CPA
Jack D. Nicholas, CPA
J. Robert Branner, CPA
Richard E. Phillips, CPA

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, items 2021-1 through 2021-3, which we consider to be material weaknesses.

Compliance and Other Matters

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

Response to Findings

The Town of Broadway's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Broadway's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Young, Nicholas, Branner & Phillips, LLP

Harrisonburg, VA
November 10, 2021

TOWN OF BROADWAY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

A. Material Weaknesses in Internal Control

2021-1 Segregation of Duties

Criteria: The criteria for internal control include adequate segregation of duties to prevent fraud or error. Duties should be divided among more than one person in the functions of authorization, custody, record keeping and reconciliation. In a perfect system, no one person should handle more than one type of function.

Condition: There is a lack of segregation of duties among Town personnel. Proper internal control is not always possible due to the relatively small number of persons involved in processing transactions.

The Town has segregated certain duties of its employees to help prevent or promptly detect errors in financial reporting. The employees appear to perform their duties in a structured and conscientious manner. The problem is that with a small staff, it is hard to totally divide the functions of executing a transaction, recording the transaction, and keeping custody of the assets.

Cause: There is a limited number of personnel for certain functions. This condition is primarily the result of staffing constraints typical of smaller governmental units.

Effect: The effect of not having adequately segregated duties is the government is exposed to increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented, or detected and corrected by management on a timely basis.

Recommendation: The recommendation is for government to continue to segregate employee duties as much as possible. We encourage the government to mitigate risk by requiring as much independent review, reconciliation and approval of accounting functions by qualified members of management as possible.

Management's response: In the future, the Town plans to continue to segregate employee duties as much as possible. The Town Council and Officials also plan to continue to be actively involved in overseeing the Town's financial operations.

2021-2 Accounting Assistance

Criteria: The management and staff of the Town should reconcile accounts, maintain depreciation schedules, and make all adjusting entries necessary to prepare financial statements in accordance with generally accepted accounting standards.

Condition: The management and staff of the Town lack the expertise to reconcile certain accounts, maintain depreciation schedules, and make all adjusting entries necessary to prepare financial statements in accordance with generally accepted accounting standards.

Cause: The cause of this condition is the Town cannot afford to hire a full-time, in-house Certified Public Accountant skilled in governmental accounting standards at this time.

TOWN OF BROADWAY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

Effect: As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

Recommendation: The recommendation is for management of the Town to enlist the auditor to provide basic accounting assistance such as reconciling certain accounts, maintaining depreciation schedules, and proposing journal entries. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit services providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Management's response: Management believes the current practice to be acceptable and cost beneficial to the Town. The management of the Town plans to continue to enlist the auditor to provide basic accounting assistance such as reconciling certain accounts, maintaining depreciation schedules, and proposing journal entries.

2021-3 Financial Statement Presentation

Criteria: The management and staff of the Town should prepare financial statements in accordance with generally accepted accounting standards.

Condition: The management and staff of the Town lack the expertise to prepare financial statements in accordance with generally accepted accounting standards.

Cause: The cause of this condition is the Town cannot afford to hire a full-time, in-house Certified Public Accountant skilled in governmental accounting standards at this time.

Effect: As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

Recommendation: The recommendation is for management of the Town to enlist the auditor to provide assistance in drafting the Town's financial statements. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit service providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Management's response: Management believes the current practice to be acceptable and cost beneficial to the Town. The management of the Town plans to continue to enlist the auditor to provide assistance in drafting the Town's financial statements.

B. Significant Deficiencies in Internal Control - None

TOWN OF BROADWAY, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

A. Findings – Financial Statement Audit (Material Weaknesses in Internal Control)

2020-1 Segregation of Duties

Proper internal control is not always possible due to the relatively small number of persons involved in processing transactions. Because of the small size of the Town, it may not be economically feasible to have adequate segregation of duties but the auditor is required to report this condition under professional responsibilities.

The Town has segregated certain duties of its employees to help prevent or promptly detect errors in financial reporting. The employees appear to perform their duties in a structured and conscientious manner. The problem is that with a small staff, it is hard to totally divide the functions of executing a transaction, recording the transaction, and keeping custody of the assets.

Current Status:

The condition is still present and is communicated in the Schedule of Findings and Questioned Costs under Findings-Financial Statement Audit item #2021-1.

2020-2 Accounting Assistance

The management and staff of the Town lack the expertise to reconcile certain accounts, maintain depreciation schedules, and make all adjusting entries necessary to prepare financial statements in accordance with generally accepted accounting standards. As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

The management of the Town has enlisted the auditor to provide basic accounting assistance such as reconciling certain accounts, maintaining depreciation schedules, and proposing journal entries. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit services providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Current Status:

The condition is still present and is communicated in the Schedule of Findings and Questioned Costs under Findings-Financial Statement Audit item #2021-2.

2020-3 Financial Statement Presentation

The management and staff of the Town lack the expertise to prepare financial statements in accordance with generally accepted accounting standards. As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

The management of the Town has enlisted the auditor to provide assistance in drafting the Town's financial statements. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit service providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Current Status:

The condition is still present and is communicated in the Schedule of Findings and Questioned Costs under Findings-Financial Statement Audit item #2021-3.