

TOWN OF HAYSI, VIRGINIA
Financial Statements and Supplementary Information
Year Ended June 30, 2023

TOWN OF HAYSI, VIRGINIA
Financial Statements and Supplementary Information
Year Ended June 30, 2023

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TOWN OF HAYSI, VIRGINIA
Roster of Town Officials
June 30, 2023

Town Of Haysi, Virginia

Town Officials

Larry D. Yates	Mayor
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Town Council

Michael Harris	Vice-Mayor
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Carter Branham

William "Billy" Brice Counts

Susan Tiller

Deborah Ann Wood

Tim Wallace

Other Officials

Amanda Perrigan	Clerk
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Bobby Edwards	Chief of Police
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Independent Auditors' Report

The Honorable Members of the Town Council
Town of Haysi, Virginia
Haysi, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Haysi, Virginia (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2023, and the respective changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38 through 39 and the required pension benefit schedules on pages 40 through 41, 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.

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

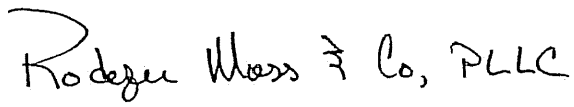
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2024 on our consideration of the Town's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rodger Moss & Co, PLLC". The signature is written in a cursive, flowing style.

Norton, Virginia
June 17, 2024

TOWN OF HAYSI, VIRGINIA
Statement of Net Position
June 30, 2023

	Primary Government <u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 574,292
Receivables	
Taxes	20,753
Accounts	-
Other	9,250
Due from other governmental units	4,220
Restricted assets	
Cash	139,152
Capital assets, depreciable, net	464,657
Capital assets, non-depreciable	<u>787,250</u>
Total Assets	<u>1,999,574</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows related to Pensions	<u>54,081</u>
Total deferred outflows of resources	<u>54,081</u>
LIABILITIES	
Accounts payable	9,390
Accrued liabilities and wages	490
Unearned revenue - American Rescue Plan Act	393,661
Long-term liabilities	
Net pension liability	387,282
Due within one year	-
Due in more than one year	-
Compensated absences	
Due within one year	1,055
Due in more than one year	<u>2,460</u>
Total liabilities	<u>794,337</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows related to Pensions	<u>8,774</u>
Total Deferred Inflows of Resources	<u>8,774</u>
NET POSITION	
Net Investment in Capital Assets	1,251,907
Restricted	132,331
Unrestricted (deficit)	<u>(133,694)</u>
Total Net Position	<u>\$ 1,250,544</u>

TOWN OF HAYSI, VIRGINIA
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Governmental Activities					
General government	\$ 207,750	\$ -	\$ 46,015	\$ -	\$ (161,735)
Public safety	294,545	3,107	105,356	-	(186,082)
Public works	41,614	-	-	-	(41,614)
Community development	87,885	-	23,607	34,531	(29,747)
Economic development	9,099	-	-	-	(9,099)
Interest on long-term debt	176	-	-	-	(176)
Total Governmental Activities	641,069	3,107	174,978	34,531	(428,453)
TOTAL PRIMARY GOVERNMENTAL ACTIVITIES	\$ 641,069	\$ 3,107	\$ 174,978	\$ 34,531	\$ (428,453)
General Revenues					
Property taxes					34,033
Local sales & use tax					8,386
Utility tax					27,052
Business license tax					73,592
Bank stock tax					34,964
Cigarette tax					11,928
Restaurant food tax					72,878
Coal road improvement tax					30,000
Unrestricted intergovernmental revenue					8,645
Unrestricted investment earnings					1,115
Gain (loss) sale of asset					-
Other					93,773
Total general revenues and transfers					396,366
Change in net position					(32,087)
NET POSITION - JULY 1					1,282,631
NET POSITION - JUNE 30					\$ 1,250,544

TOWN OF HAYSI, VIRGINIA
Balance Sheet - Governmental Funds
June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 574,292
Receivables	
Taxes	20,753
Other	9,250
Due from other governmental units	4,220
Restricted Assets	
Cash	<u>139,152</u>
Total Assets	<u>\$ 747,667</u>
LIABILITIES	
Accounts payable	\$ 9,390
Unearned revenue - American Rescue Plan Act	393,661
Accrued payroll and related liabilities	<u>490</u>
Total Liabilities	<u>403,541</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	<u>9,883</u>
Total deferred inflows of resources	<u>9,883</u>
FUND BALANCES	
Nonspendable	-
Restricted	132,331
Committed	6,821
Assigned	-
Unassigned	<u>195,091</u>
Total Fund Balances	<u>334,243</u>
Total Liabilities, Deferred inflows of resources, and Fund Balances	<u>\$ 747,667</u>

TOWN OF HAYSI, VIRGINIA
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Total Fund Balances per Balance Sheet-Governmental Funds	\$ 334,243
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	1,251,907
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,883
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated Absences	(3,515)
Financial statement elements related to pensions are applicable to future periods, and therefore, are not reported in the funds.	
Deferred outflows of resources for 2022 employer contributions	23,726
Deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments	30,355
Net pension Liability	(387,282)
Deferred outflows (inflows) of resources for the net difference between projected and actual earnings on pension plan investments	<u>(8,773)</u>
Net Position of Governmental Activities	<u>\$ 1,250,544</u>

TOWN OF HAYSI, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Year Ended June 30, 2023

	<u>General Fund</u>
REVENUES	
General property taxes	\$ 40,341
Other local taxes	258,800
Permits, privilege fees and regulatory licenses	-
Fines and forfeitures	735
Revenue from use of money and property	1,115
Miscellaneous	93,037
Charges for services	3,107
Intergovernmental	<u>218,154</u>
Total revenues	<u>615,289</u>
EXPENDITURES	
General government administration	171,397
Public safety	271,022
Public works	53,865
Community development	187,236
Economic development	9,099
Debt service	
Principal retirement	27,624
Interest	<u>-</u>
Total Expenditures	<u>720,243</u>
Excess of Revenues Over Expenditures	<u>(104,954)</u>
OTHER FINANCING SOURCES (USES)	
Loan proceeds	27,448
Sale of property	<u>-</u>
Total other financing sources (uses)	<u>27,448</u>
Net change in fund balance	(77,506)
FUND BALANCE AT JULY 1	<u>411,749</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 334,243</u></u>

TOWN OF HAYSI, VIRGINIA
Reconciliation of the Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund	\$ (77,506)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	146,485
Depreciation expense	<u>(72,563)</u>
	<u>73,922</u>
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,307)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Proceeds from debt	(27,448)
Principal repayments:	
General obligation debt	<u>27,448</u>
	<u>-</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	-
Compensated absences	<u>5,622</u>
	<u>5,622</u>
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	23,726
Pension expense	<u>(51,544)</u>
	<u>(27,818)</u>
Change in Net Position of Governmental Activities	<u>\$ (32,087)</u>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Haysi, Virginia is incorporated under and has all powers conferred upon towns under the Constitution of Virginia and all other laws of the Commonwealth. The Town is governed by a mayor, and town council composed of six members, elected at large. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity - In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Town's financial statements include all the Town operations.

Financial Reporting Model - In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34)*. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. The Town implemented the requirements of GASB 34, beginning with the year ended June 30, 2006.

GASB 34 established requirements and the new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes the following components:

Management's Discussion and Analysis - GAAP requires that financial statements be supplemented by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is comparable to analysis the private sector provides in their annual reports. The Town elects to omit the presentation of MD&A.

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities (i.e., reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter). Government-wide financial statements do not provide information by fund or account group, but distinguish between the Town's governmental activities, business-type activities and activities of its discretely presented component units on the Statement of Net Position and Statement of Activities. Significantly, the Town's Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the Town. Depreciation expense on the Town's capital assets, including infrastructure, is reflected in the government-wide Statement of Activities.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. The Town reports all capital assets, including infrastructure, in the government-wide Statement of Net Position and reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net position of the Town is reported in three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are not otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. The program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity.

Fund Statements - In addition to the government-wide financial statements, the Town reports fund financial statements which use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the Town's Governmental fund types (i.e., General, and Permanent) are similar to that previously presented in the Town's financial statements.

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In the first type, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the second type, monies are virtually unrestricted as to time of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Reporting Entity considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year-end are reflected as deferred revenue. Sales and utility taxes, which are collected by the Commonwealth or utility companies by year-end and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the Town.

Licenses and permits, fines, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available.

The governmental funds financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position (deficit) for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the governmental funds balance sheet. The assets and liability elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the governmental funds statement of revenues, expenditures and changes in fund balances, and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the governmental funds statement of revenues, expenditures and changes in fund balances.

The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

The focus of the Reporting Model is on the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds, the operations of which 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.

Separate financial statements are provided for governmental funds and the proprietary funds, when applicable. Major individual governmental funds and all of the individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation - (Continued)

The Town reports the following major governmental fund:

The *General Fund* is the Town's primary operating fund. It is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Budgets and Budgetary Accounting - As set forth in the Town Charter, the Town Council adopts an annual budget for the General Fund. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. All annual appropriations lapse at fiscal year-end.

Encumbrances and Commitments - The Town utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Generally, all unencumbered appropriations lapse at year end, except those for capital projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Open encumbrances at fiscal year-end are included in restricted, committed, or assigned fund balance, as appropriate.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,000 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings/building improvements	40 years
Other improvements	20 to 40 years
Furniture and equipment	7 to 10 years
Vehicles	5 to 7 years

Cash Equivalents - The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents

Fund Equity - Beginning with the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Equity - (Continued)

- or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications. The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Net Position - Net position is the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

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.

Deferred Outflows/Inflows of Resources - The Town reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent 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 a future period.

Employer pension contributions made after the net pension liability measurement date of June 30, 2022 and prior to the reporting date of June 30, 2023, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2023. This will be applied to the net pension liabilities in the next fiscal year.

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows/Inflows of Resources - (Continued)

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2022 have been reported as a deferred inflow of resources. This difference will be recognized in pension expense over a closed five-year period.

The Town additionally reports unavailable/unearned revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not yet complete. These amounts are deferred and recognized as an inflow of resources in the period they are earned.

Adoption of new accounting standard

The Town adopted GASB Statement No. 96 *Subscription-Based Information Technology Agreements* ("SBITAs") during fiscal year 2023 which established a definition for SBITAs and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. This statement also established criteria for the recognition of implementation costs and requires a government to report subscription asset and subscription liability for a SBITA and to disclose essential information about the agreement. The standard did not have a material effect on the Town's financial statements and disclosures as the Town's SBITAs generally have a contractual term of one year or less.

Date of Management Review - Management has evaluated events and transactions occurring subsequent to the statement of net position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Credit Risk:

As required by state statute, the Town requires that commercial paper have a short-term debt rating of no less than "A-1" (or equivalent) from a nationally recognized statistical rating organization.

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

New Peoples Bank	39%
BB&T Bank	38%
People Inc.	23%

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS - (Continued)

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all of the Town’s investments are held in the Treasurer’s office in the Town’s name.

The above items are reflected in the financial statements as follows:

	<u>Primary Government</u>
Deposits and investments	
Deposits	\$ 712,703
	<u>\$ 712,703</u>
Statement of net position	
Cash and cash equivalent	\$ 574,292
Restricted cash and cash equivalents	<u>138,411</u>
	<u>\$ 712,703</u>

Restricted cash and cash equivalents consist primarily of demand deposit accounts.

NOTE 3 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Town calculates its allowance for uncollectible accounts using historical collection data; and, in certain cases, specific account analysis. The allowance amounted to approximately \$7,638 at June 30, 2023, and is composed of the following:

General operating fund	
Allowance for uncollectible property taxes	\$ 7,638
Total	<u>\$ 7,638</u>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 4 - CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 31,502	\$ -	\$ -	\$ 31,502
Construction in progress	<u>698,696</u>	<u>57,052</u>	<u>-</u>	<u>755,748</u>
Total capital assets, not depreciated	<u>730,198</u>	<u>57,052</u>	<u>-</u>	<u>787,250</u>
Capital assets, depreciated				
Buildings and improvements	459,916	-	-	459,916
Machinery and equipment	<u>769,468</u>	<u>89,434</u>	<u>-</u>	<u>858,902</u>
Total capital assets, depreciated	<u>1,229,384</u>	<u>89,434</u>	<u>-</u>	<u>1,318,818</u>
Less accumulated depreciation for				
Buildings and improvements	199,815	21,706	-	221,521
Machinery and equipment	<u>581,783</u>	<u>50,857</u>	<u>-</u>	<u>632,640</u>
Total accumulated depreciation	<u>781,598</u>	<u>72,563</u>	<u>-</u>	<u>854,161</u>
Total capital assets, depreciated net	<u>447,786</u>	<u>16,871</u>	<u>-</u>	<u>464,657</u>
Governmental activities capital assets, net	<u>\$ 1,177,984</u>	<u>\$ 73,923</u>	<u>\$ -</u>	<u>\$ 1,251,907</u>

NOTE 5 - CAPITAL ASSETS

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

Governmental activities	
General government	\$ 21,049
Public safety	49,630
Public works	<u>1,884</u>
Total depreciation expense, Governmental activities	<u>\$ 72,563</u>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 6 - PROPERTY TAXES RECEIVABLE

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Tax levy information is received from Dickenson County, and tax bills are mailed in November. Taxes are due and payable on or before December 5 of the current year. All unpaid taxes become delinquent December 6 of the current year. The County of Dickenson, Virginia bills and collects the Town's property taxes and revenues are recognized when collected.

NOTE 7 - LONG-TERM DEBT

The were no annual requirements to amortize governmental debt outstanding as of June 30, 2023.:

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions for the Town of Haysi for the year ended June 30, 2023:

	Total General Fund
Bonds/loans payable at 6/30/23	\$ -
Additions	27,448
Retirements	<u>(27,448)</u>
Bonds/loans payable at 6/30/23	<u>\$ -</u>

Details of Long-Term Indebtedness:

Direct Placements and Direct Borrowings:

	<u>Amount</u>
The Town has a \$100,000 renewable Line of Credit with New Peoples Bank with a variable interest rate at 2.13 at June 30, 2023. The was a zero balance on the line of credit at June 30, 2023.	-
Long-term debt	<u>\$ -</u>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 8 - CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

The Town has a policy to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment. At June 30, 2023, the Town of Haysi had outstanding accrued sick and vacation leave of \$3,515 in the General Operating Fund.

Permanent, full-time Town of Haysi employees earn general leave according to the following:

Full time employees earn two weeks vacation and 12 sick days each year after they have completed a full year of service. Employees may accumulate sick leave but only a limited amount can be carried over, not to exceed 960 hours (6 months). Any accumulated hours over 960 will need to be used by December 31 of the current year or employee will lose the number of hours.

Upon termination of employment, employees are entitled to 30% of all credited sick leave and annual leave based on employee's current rate of pay at the time of separation. In the event of death of an employee, the employee's estate shall be entitled to 30% payment for any unused balance of sick leave allowances at the time of death. Temporary or part-time employees do not qualify for general leave.

The following is a summary of compensated absences transactions for the year ended June 30, 2023:

	Balance July 1, 2022	Additions / Proceeds	Payments / Reductions	Balance June 30, 2023
General operating fund				
Accrued compensated absences	\$ 9,137	\$ 2,779	\$ (8,401)	\$ 3,515

NOTE 9 - PENSION PLAN

Plan Description

Name of Plan: Town of Haysi, Virginia, Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

RETIREMENT PLAN PROVISIONS		
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</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>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>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>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 Plan 1 members who opted in was July 1, 2014.</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>*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</p>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

<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>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>have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pretax 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>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

		<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>
<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 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>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

<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 the 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>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</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> Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

		<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 and have at least five years (60 months) of service credit or when their age plus service 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 and have at least five years (60 months) of service credit or when their age plus service credit equals 90. Political subdivisions hazardous duty employee: 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: 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 Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivisions 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>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><u>Eligibility:</u> 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</p>	<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><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

<p>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><u>Exceptions to COLA Effective Dates:</u> 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. • 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><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> 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 subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable</p>

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

		<p>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>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2022 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	<u>3</u>
Inactive members:	
Vested inactive members	0
Non-vested Inactive members	0
LTD	0
Active elsewhere in VRS	<u>2</u>
Total inactive members	2
Active members	<u>2</u>
Total covered employees	<u><u>7</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2023 was 37.29% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$ 23,726 and \$ 15,836 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent to 5.35 percent
Investment rate of return	6.75 percent, net of pension investment expenses, including inflation*

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service-related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

Largest 10 - Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety Employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent to 4.75 percent
Investment rate of return	6.75 percent, net of pension investment expenses, including inflation

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decrease rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit strategies	14.00%	4.78%	0.67%
Real assets	14.00%	4.47%	0.63%
Private equity	14.00%	9.73%	1.36%
MAPS - Multi - Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 9 - PENSION PLAN - (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2020	\$ 564,805	\$ 231,585	\$ 333,220
Changes for the year:			
Service Cost	7,842	-	7,842
Interest	36,622	-	36,622
Benefit Changes	-	-	-
Differences between expected and actual experience	49,700	-	49,700
Assumption Changes	6,468	-	6,468
Contributions - employer	-	15,071	(15,071)
Contributions - employee	-	3,841	(3,841)
Net investment income	-	59,453	(59,453)
Benefit payments, including refunds	(44,514)	-	(44,514)
Refunds of employee Contributions	-	(44,514)	44,514
Administrative expenses	-	(168)	168
Other changes	-	5	(5)
Net changes	56,118	33,688	22,430
Balance at June 30, 2021	\$ 620,923	\$ 265,273	\$ 355,650

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 432,197	\$ 355,650	\$ 293,070

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

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, 2023, the Town recognized pension expense of \$51,544. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,957	\$ -
Changes in assumptions	10,592	-
Net difference between projected and actual earnings on pension plan investments	-	28,891
Employer contributions subsequent to the measurement date	15,836	-
Total	<u>\$ 70,385</u>	<u>\$ 28,891</u>

\$23,726 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	
2023	\$ 20,062
2024	17,654
2025	(3,734)
2026	(8,324)
2027	-
Thereafter	-
	<u>\$ 25,658</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 *Comprehensive Annual Financial Report (CAFR)*. A copy of the 2022 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 10 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section of 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 and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

The Town has deferred inflows and outflows in the general fund comprised of the following:

Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$16,191 at June 30, 2023.

Pension-Related Deferred Inflows/Outflows:

As of June 30, 2023, the Town reported deferred outflows of resources comprised of employer pension-related contributions made subsequent to the measurement date of June 30, 2022 in the amount of \$23,726 and deferred outflows related to the measurement of the net pension liability in the amount of \$30,355. Pension-related deferred inflows of resources resulting from net differences between projected and actual earnings on plan investments amounted to \$8,773.

NOTE 11 - FUND BALANCE - GOVERNMENTAL FUNDS

As of June 30, 2023, fund balances are composed of the following:

	<u>General Fund</u>
Restricted	
Business development	\$ 130,731
ARC Funds	1,600
Committed	
Fire Department Funds	6,081
Unassigned	<u>195,090</u>
Total fund balances	<u><u>\$ 333,502</u></u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Litigation

In regard to litigation involving the Town of Haysi, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 13 - RISK MANAGEMENT

The Town maintains general liability, auto, and workers' compensation insurance coverage through the Virginia Municipal Liability Pool. Other insurance coverage (including fire, equipment, police liability, public officials' liability and workers' compensation and accidental death on volunteer firemen) is also maintained through Virginia Municipal Liability Pool insurance. The Town maintains flood insurance through the National Flood Insurance Program (FEMA).

NOTE 14 - LEASES

On June 1, 2002, the Town of Haysi entered into a twenty year lease-purchase agreement with St. Charles Health Council, Inc., a Virginia non-stock corporation doing business as Stone Mountain Health Services which allows for the operation of a medical clinic in Haysi. The cost of the newly constructed facility at the time of the lease was \$1,129,430. The lease agreement provides for a nominal guaranteed annual rental of \$1 for a total of \$20 which was payable at the time of execution of the lease. Stone Mountain Health Services is responsible for the payment of all utilities, insurance, and the maintenance and repair of the premises. The lease will terminate on May 31, 2023, at which time, all land, facilities and additions to the property will be conveyed to Stone Mountain Health Services at a purchase price of \$1, unless the tenant has ceased to operate a medical clinic on the premises, in which case the property and facilities will revert to the Town of Haysi. As of the date of this report the Town is in the process of determining the final completion status with St. Charles Health Council, Inc. of this agreement.

NOTE 15 - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance due to the COVID-19 pandemic.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

TOWN OF HAYSI, VIRGINIA
Notes to Financial Statements (Continued)

NOTE 15 - FUTURE ACCOUNTING PRONOUNCEMENTS - (Continued)

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HAYSI, VIRGINIA
Governmental Fund Revenues
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Original Budget	Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND				
Revenue from Local Sources				
General property taxes				
Real and personal property taxes	\$ 35,000	\$ 40,000	40,341	\$ 341
Total general property taxes	35,000	40,000	40,341	341
Other Local Taxes				
Local sales and use taxes	7,000	8,300	8,386	86
Cigarette taxes	5,964	8,946	11,928	2,982
Utility taxes	24,350	26,475	27,052	577
Business licenses taxes	50,000	72,931	73,592	661
Bank stock taxes	28,000	34,000	34,964	964
Restaurant food taxes	60,000	65,000	72,878	7,878
Coal road improvement taxes	30,000	30,000	30,000	-
Total other local taxes	205,314	245,652	258,800	13,148
Permits, Privilege Fees, And Regulatory Licenses	-	-	-	-
Fines and Forfeitures	1,020	756	735	(21)
Revenue from Use Of Money and Property				
Revenue from use of money	60	163	1,115	952
Revenue from use of property	-	-	-	-
Total revenue from use of money and property	60	163	1,115	952
Miscellaneous Revenue	159,550	45,355	93,037	47,682
Charges For Services				
Fire Call Revenue	-	-	3,107	3,107
Total charges for services	-	-	3,107	3,107
Total Revenue from Local Sources	400,945	331,927	397,135	65,208
Revenue From The County				
Fire Dept Funds	-	-	84,056	84,056
SRO Grant	-	720	531	(189)
Total Revenue From The County	-	720	84,587	83,867
Revenue From The Commonwealth				
Non-Categorical Aid				
Litter grant	1,000	1,000	-	(1,000)
Rolling stock taxes	8,500	8,645	8,645	-
Power Grant	231,120	33,525	17,255	(16,270)
CPROP	184,526	11,398	6,352	(5,046)
CPPD	99,040	51,921	5,046	(46,875)
VML Matching Safety Grant	500	500	500	-
Assistance to localities with police departments	4,792	5,268	5,269	1
Total Non-Categorical Aid	529,479	112,257	43,067	(69,190)
Other Categorical Aid				
Fire programs fund	10,000	15,000	15,000	-
Total other categorical aid	10,000	15,000	15,000	-
Total Revenue From The Commonwealth	539,479	127,257	58,067	(69,190)
Revenue from the Federal Government				
ARPA Funding	241,223	241,223	46,015	(195,208)
ARC Funding	754,194	-	-	-
DCR	448,883	40,353	29,485	(10,868)
Total revenue from the federal government	1,444,300	281,576	75,500	(206,076)
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	\$ 2,384,723	\$ 741,480	615,289	\$ (126,191)

See independent auditors' report on supplementary information.

TOWN OF HAYSI, VIRGINIA
Governmental Fund Expenditures
Budgetary Comparison Schedule
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
General and Financial Administration	175,142	190,548	171,397	19,151
Public Safety-police department	111,607	121,974	108,113	13,861
Public Safety-fire department	16,000	36,200	162,909	(126,709)
Public works-street department	33,968	61,218	53,865	7,353
Community Development	1,135,070	322,510	187,236	135,274
Economic Development	912,936	9,030	9,099	(69)
Debt Service				
Principal Retirement	864,530	135,000	27,624	107,376
Interest and fiscal charges	-	-	-	-
TOTAL GENERAL FUND	<u>\$ 3,249,253</u>	<u>\$ 876,480</u>	<u>\$ 720,243</u>	<u>\$ 156,237</u>
OTHER FINANCING RESOURCES (USES)				
Loan proceeds	864,530	135,000	27,448	(107,552)
Sale of property	-	-	-	-
Total Other Financing Sources (Uses)	<u>864,530</u>	<u>135,000</u>	<u>27,448</u>	<u>(107,552)</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>4,113,783</u>	<u>1,011,480</u>	<u>\$ 747,691</u>	<u>\$ 48,685</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	<u>0</u>	<u>(0)</u>	<u>\$ (77,506)</u>	<u>\$ (77,506)</u>

TOWN OF HAYSI, VIRGINIA
Required Supplementary Information
Schedule of Changes in the Net Position Liability and Related Ratios (unaudited)
Governmental Activities
June 30, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 6,851	\$ 7,842	\$ 14,855	\$ 12,112	\$ 11,688	\$ 12,235	\$ 11,859	\$ 11,257	\$ 13,233
Interest	40,838	36,622	35,074	33,708	32,186	30,178	28,458	28,008	26,806
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	3,902	49,700	12,490	7,118	1,849	3,745	7,670	(9,617)	-
Changes in assumptions	-	6,468	-	14,468	-	6,109	-	-	-
Benefit payments, including refunds of employee contributions	(45,537)	(44,514)	(34,445)	(24,233)	(23,728)	(23,433)	(23,404)	(23,031)	(22,700)
Net change in total pension liability	6,054	56,118	27,974	43,173	21,995	28,834	24,583	6,617	17,339
Total pension liability - beginning	620,923	564,805	536,831	493,658	471,663	442,829	418,246	411,629	394,290
Total pension liability - ending	\$ 626,977	\$ 620,923	\$ 564,805	\$ 536,831	\$ 493,658	\$ 471,663	\$ 442,829	\$ 418,246	\$ 411,629
Plan fiduciary net position									
Contributions - employer	\$ 15,836	\$ 15,071	\$ 20,016	\$ 26,301	\$ 23,156	\$ 22,590	\$ 24,415	\$ 23,704	\$ 12,914
Contributions - employee	4,036	3,841	5,082	6,587	5,670	5,531	5,397	5,240	5,069
Net investment income	253	59,453	4,431	14,605	14,402	20,806	2,987	6,812	20,207
Benefit payments, including refunds of employee contributions	(45,537)	(44,514)	(34,445)	(24,233)	(23,728)	(23,433)	(23,404)	(23,031)	(22,700)
Administrative expense	(172)	(168)	(160)	(129)	(117)	(113)	(92)	(86)	(112)
Other	6	5	(5)	(9)	(13)	(19)	(1)	(4)	1
Net change in total pension liability	(25,578)	33,688	(5,081)	23,122	19,370	25,362	9,302	12,635	15,379
Total pension liability - beginning	265,273	231,585	236,666	213,544	194,174	168,812	159,510	146,875	131,496
Total pension liability - ending	\$ 239,695	\$ 265,273	\$ 231,585	\$ 236,666	\$ 213,544	\$ 194,174	\$ 168,812	\$ 159,510	\$ 146,875
Political subdivision's net pension liability - ending	\$ 387,282	\$ 355,650	\$ 333,220	\$ 300,165	\$ 280,114	\$ 277,489	\$ 274,017	\$ 258,736	\$ 264,754
Plan fiduciary net position as a percentage of the total pension liability	38.23%	42.72%	41.00%	44.09%	43.26%	41.17%	38.12%	38.14%	35.68%
Covered - employee payroll	\$ 80,715	\$ 77,951	\$ 75,681	\$ 134,850	\$ 115,073	\$ 111,721	\$ 109,530	\$ 106,339	\$ 103,242
Political subdivision's net pension liability as a percentage of covered-employee payroll	479.81%	456.25%	440.30%	222.59%	243.42%	248.38%	250.18%	243.31%	256.44%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only nine years are shown herein.

TOWN OF HAYSI, VIRGINIA
Required Supplementary Information (unaudited)
Schedule of Employer Pension Contributions
Governmental Activities
June 30, 2023

Date	Contributions Relation to			Contributions as a % of	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Covered Employee Payroll
2023	\$ 23,726	\$ 23,726	\$ -	\$ 63,626	37.29%
2022	15,836	15,836	-	80,715	19.62%
2021	13,527	13,527	-	77,951	17.35%
2020	21,281	21,281	-	75,681	28.12%
2019	26,302	26,302	-	134,850	19.50%
2018	23,156	23,156	-	115,073	20.12%
2017	22,590	22,590	-	111,721	20.22%
2016	24,415	24,415	-	109,530	22.29%
2015	23,704	23,704	-	106,339	22.29%
2014	12,938	12,938	-	103,242	12.53%
2013	13,141	13,141	-	105,194	12.49%
2012	19,376	19,376	-	102,128	18.97%
2011	20,030	20,030	-	99,241	20.18%

TOWN OF HAYSI, VIRGINIA
Notes to Required Supplementary Information
June 30, 2023

NOTE 1 - CHANGE OF BENEFIT TERMS

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

NOTE 2 - 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)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease from 7.00% to 6.75%
Applicable to:	Pension

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

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

Largest 10 - Hazardous Duty/Public Safety Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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	Increase rate from 60% to 70%
Discount Rate	Decrease from 7.00% to 6.75%
Applicable to:	Pension

TOWN OF HAYSI, VIRGINIA
Notes to Required Supplementary Information (Continued)

NOTE 2 - CHANGES OF ASSUMPTIONS - (Continued)

All Others (Non 10 Largest) - Hazardous Duty/Public Safety Employees:

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

COMPLIANCE SECTION



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

The Honorable Members of the Town Council
Town of Haysi, Virginia
Haysi, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Haysi, Virginia (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2023, we considered the Town'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 Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed in the *Schedule of Findings*, we identified a deficiency in internal control that we consider to be a significant deficiency in internal control over financial reporting. (Reference finding 2023-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

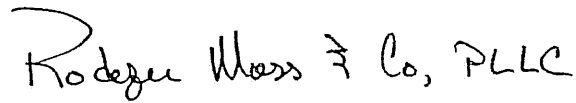
provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Rodger Moss & Co, PLLC". The signature is written in a cursive, slightly stylized font.

Norton, Virginia
June 17, 2024

TOWN OF HAYSI, VIRGINIA
Summary of Compliance Matters
June 30, 2023

As more fully described in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investments Laws
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF HAYSI, VIRGINIA
Schedule of Findings
June 30, 2023

Financial Statement Findings

Deficiencies in the Operation of Internal Control considered Significant Deficiencies:

2023-001 - Lack of Separation of Duties (Repeated from prior year)

Condition: A small number of staff, often a single individual, are responsible for all financial accounting and reporting functions with minimal oversight.

Criteria: Generally accepted accounting principles indicate the establishment of a system of checks and balances so that no one person has control over a complete transaction from beginning to end. Workflow should be established so that one individual's work is automatically verified by another individual working independently.

Effect: The result of one individual handling an entire accounting transaction is the danger that intentional or unintentional errors could be made and not be detected.

Recommendation: Internal control procedures should be in place to segregate the duties of custody, recording, and authorization of the accounting records to prevent error and fraud.

Management Response: The Town will review its policies going forward and implement any changes that it deems to be economically feasible. Further, to compensate for the lack of internal controls, careful review by management and the Town Council of the accounting records and monthly financial reports is utilized as an extremely important means of detecting material errors or irregularities.