

TOWN OF SHENANDOAH, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORTS

White, Withers, Masincup & Cannaday, PC

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INDEPENDENT AUDITOR'S REPORT

TO THE TOWN COUNCIL AND MANAGEMENT
TOWN OF SHENANDOAH, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the exhibits listed as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information listed as Other Supplementary Information in the table of contents is presented for purposes of additional analysis is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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.

White, Withers, Masincus & Connolly, P.C.

Staunton, Virginia
October 25, 2022

White, Withers, Masincup & Cannaday, PC

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

TO THE TOWN COUNCIL AND MANAGEMENT
TOWN OF SHENANDOAH, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Shenandoah, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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. We did identify certain deficiencies in internal control that we consider to be significant deficiencies. The Town is a small municipality with a limited number of staff and therefore, as with many small Town's, has inadequate internal control over the preparation of the annual financial report with full note disclosures required to be in conformity with the U.S. Generally Accepted Accounting Principles. The Town has determined the costs to eliminate this deficiency exceed the benefits, and thus have engaged the auditing firm to assist in this process.

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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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Findings

The Town's response to the findings identified in our audit is described previously. 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Staunton, Virginia
October 25, 2022

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
As of June 30, 2021

	Governmental Activities	Business- Type Activities	Total Primary Government
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 812 416	\$ 1 166 998	\$ 1 979 414
Restricted cash and cash equivalents	713 583	538 563	1 252 146
Receivables (Net of allowances for uncollectibles of \$20,056):			
Real estate and personal property taxes	46 611	-	46 611
Other local revenues	50 160	-	50 160
Accounts, billed	-	42 582	42 582
Accounts, unbilled	-	55 568	55 568
Grants and other	-	12 990	12 990
Due from other governments	19 914	-	19 914
Total Current Assets	\$ 1 642 684	\$ 1 816 701	\$ 3 459 385
Noncurrent Assets:			
Capital assets, net	\$ 1 435 921	\$ 3 862 146	\$ 5 298 067
Total Noncurrent Assets	\$ 1 435 921	\$ 3 862 146	\$ 5 298 067
Total Assets	\$ 3 078 605	\$ 5 678 847	\$ 8 757 452
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	\$ 251 076	\$ 111 988	\$ 363 064
Deferred outflows related to OPEB	19 500	8 747	28 247
Total Deferred Outflows of Resources	\$ 270 576	\$ 120 735	\$ 391 311
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 13 106	\$ 7 634	\$ 20 740
Accrued payroll and payroll liabilities	19 538	7 486	27 024
Accrued interest payable	311	3 887	4 198
Unearned revenues	640 771	-	640 771
Notes and bonds payable, current portion	24 335	44 886	69 221
Customer deposits	324	18 235	18 559
Total Current Liabilities	\$ 698 385	\$ 82 128	\$ 780 513
Noncurrent Liabilities:			
Notes and bonds payable	\$ 116 223	\$ 1 122 864	\$ 1 239 087
Net pension liability	612 948	276 053	889 001
Net OPEB liability	51 946	23 712	75 658
Compensated absences	71 909	40 732	112 641
Total Noncurrent Liabilities	\$ 853 026	\$ 1 463 361	\$ 2 316 387
Total Liabilities	\$ 1 551 411	\$ 1 545 489	\$ 3 096 900
DEFERRED INFLOWS OF RESOURCES			
Prepayments received	\$ 11 737	\$ 5 852	\$ 17 589
Deferred inflows related to OPEB	3 648	1 657	5 305
Total Deferred Inflows of Resources	\$ 15 385	\$ 7 509	\$ 22 894
NET POSITION			
Net investment in capital assets	\$ 1 295 363	\$ 2 694 397	\$ 3 989 760
Restricted:			
Revolving loan fund	10 940	-	10 940
Debt service reserve	27 960	-	27 960
Various unspent restricted donations	35 870	-	35 870
Bond retirement	-	538 563	538 563
Unrestricted	412 252	1 013 624	1 425 876
Total Net Position	\$ 1 782 385	\$ 4 246 584	\$ 6 028 969

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

TOWN OF SHENANDOAH, VIRGINIA

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government administration	\$ 549 354	\$ 127 923	\$ 109 030	\$ 2 595
Public safety	626 499	663	117 740	199 465
Public works	612 820	185 626	3 524	156 267
Economic development	56 048	14 642	-	-
Interest on long-term debt	3 416	-	-	-
Total Governmental Activities	\$ 1 848 137	\$ 328 854	\$ 230 294	\$ 358 327
Business-type Activities:				
Utility Fund	\$ 847 564	\$ 788 190	\$ 26 500	\$ 283 861
Total Business-Type Activities	\$ 847 564	\$ 788 190	\$ 26 500	\$ 283 861
Total Primary Government	\$ 2 695 701	\$ 1 117 044	\$ 256 794	\$ 642 188

General Revenues:

General property taxes
Local sales and use taxes
Restaurant food taxes
Utility taxes
Electric surtax
Communications tax
Cigarette tax
Electric franchise
Bank stock taxes
Transient occupancy tax
Railroad rolling stock taxes
Interest income
Miscellaneous

Total General Revenues

Gain (Loss) on Disposal of Assets

Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total Primary Government
\$ (309 806)	\$ -	\$ (309 806)
(308 631)	-	(308 631)
(267 403)	-	(267 403)
(41 406)	-	(41 406)
(3 416)	-	(3 416)
<u>\$ (930 662)</u>	<u>\$ -</u>	<u>\$ (930 662)</u>
\$ -	\$ 250 987	\$ 250 987
<u>\$ -</u>	<u>\$ 250 987</u>	<u>\$ 250 987</u>
\$ (930 662)	\$ 250 987	\$ (679 675)
<u>\$ (930 662)</u>	<u>\$ 250 987</u>	<u>\$ (679 675)</u>
\$ 666 386	\$ -	\$ 666 386
148 345	-	148 345
221 212	-	221 212
26 014	-	26 014
33 370	-	33 370
20 894	-	20 894
42 000	-	42 000
9 465	-	9 465
61 721	-	61 721
12 844	-	12 844
11 992	-	11 992
1 453	24 412	25 865
7 814	279	8 093
<u>\$ 1 263 510</u>	<u>\$ 24 691</u>	<u>\$ 1 288 201</u>
\$ 700	\$ 200	\$ 900
<u>\$ (119 700)</u>	<u>\$ 119 700</u>	<u>\$ -</u>
\$ 213 848	\$ 395 578	\$ 609 426
<u>1 568 537</u>	<u>3 851 006</u>	<u>5 419 543</u>
<u>\$ 1 782 385</u>	<u>\$ 4 246 584</u>	<u>\$ 6 028 969</u>

BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	\$ 812 416
Receivables (Net of allowances for uncollectibles of \$20,056):	
Real estate and personal property taxes	46 611
Other local revenues	50 160
Due from other governments	19 914
Restricted cash and cash equivalents	<u>713 583</u>
Total Assets	\$ <u>1 642 684</u>
LIABILITIES	
Accounts payable	\$ 13 106
Accrued payroll and payroll liabilities	19 538
Customer deposits	324
Unearned revenues	<u>640 771</u>
Total Liabilities	\$ <u>673 739</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid property taxes	\$ 11 737
Unavailable revenue-property taxes	<u>35 085</u>
Total Deferred Inflows of Resources	\$ <u>46 822</u>
FUND BALANCES	
Restricted:	
Revolving loan fund	\$ 10 940
Debt service reserve	27 960
Various unspent restricted donations	35 870
Assigned to capital improvements	211 557
Unassigned	<u>635 796</u>
Total Fund Balances	\$ <u>922 123</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>1 642 684</u>

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2021**Amounts reported for governmental activities in the Statement of
Net Position are different because of the following:**

Fund balances of governmental funds	\$ 922 123
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	1 435 921
Long-term liabilities, including notes and bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(212 467)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows related to pension	251 076
Net pension liability	(612 948)
Financial statement elements related to OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows related to OPEB	19 500
Deferred inflows related to OPEB	(3 648)
Net OPEB liability	(51 946)
Property taxes receivable not received within forty-five days after year end are not available to fund current-period expenditures and, therefore, are deferred in the funds.	35 085
Interest payable on long-term debt does not require current financial resources, and therefore, is not reported as a liability in the funds.	(311)
Net position of governmental activities	\$ 1 782 385

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund
Revenues:	
General property taxes	\$ 658 405
Other local taxes	703 788
Fines and forfeitures	663
Revenues from use of money and property	20 566
Charges for services	181 155
Miscellaneous	33 246
Intergovernmental:	
Revenue from the Commonwealth	86 923
Revenue from the Federal Government	488 258
Total Revenues	\$ 2 173 004
Expenditures:	
Current:	
General government administration	\$ 532 195
Public safety	537 310
Public works	515 250
Economic development	52 120
Capital expenditures	445 845
Debt Service:	
Debt service payments	19 428
Total Expenditures	\$ 2 102 148
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 70 856
Other Financing Sources (Uses):	
Proceeds from loans	\$ 80 800
Proceeds from sale of assets	700
Net operating transfers	(119 700)
Total Other Financing Sources (Uses)	\$ (38 200)
Net Change in Fund Balances	\$ 32 656
Fund Balance at Beginning of Year	889 467
Fund Balance at End of Year	\$ 922 123

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

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

Net change in fund balance - total governmental funds	\$ 32 656
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$479,444) exceeded depreciation (\$149,666) in the current period.	329 778
Issuance of long-term debt is an other financing source in the governmental funds and thus, increases fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(80 800)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the Statement of Activities.	16 112
Governmental funds report employer 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. This is the amount by which pension expense (\$157,131) exceeded employer contributions (\$70,065).	(87 066)
Governmental funds report employer OPEB contributions as expenditures. However, in the Statement of Activities the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense. This is the amount by which employer contributions (\$9,445) exceeded OPEB expense (\$6,925).	2 520
The change in compensated absences liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(7 233)
General property tax revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.	7 981
In the governmental funds, interest on long-term debt is reported as interest expense when due, whereas in the Statement of Activities it is accrued.	<u>(100)</u>
Change in net position of governmental funds	<u>\$ 213 848</u>

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of June 30, 2021

	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1 166 998
Restricted cash and cash equivalents	538 563
Receivables:	
Accounts, billed	42 582
Accounts, unbilled	55 568
Grants and other	12 990
Total Current Assets	\$ 1 816 701
Noncurrent Assets:	
Capital assets, net	\$ 3 862 146
Total Noncurrent Assets	\$ 3 862 146
Total Assets	\$ 5 678 847
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	\$ 111 988
Deferred outflows related to OPEB	8 747
Total Deferred Outflows of Resources	\$ 120 735
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 7 634
Accrued payroll and payroll liabilities	7 486
Accrued interest payable	3 887
Notes and bonds payable, current portion	44 886
Customer deposits	18 235
Total Current Liabilities	\$ 82 128
Noncurrent Liabilities:	
Notes and bonds payable	\$ 1 122 864
Net pension liability	276 053
Net OPEB liability	23 712
Compensated absences	40 732
Total Noncurrent Liabilities	\$ 1 463 361
Total Liabilities	\$ 1 545 489
DEFERRED INFLOWS OF RESOURCES	
Customer prepayments	\$ 5 852
Deferred inflows related to OPEB	1 657
Total Deferred Inflows of Resources	\$ 7 509
NET POSITION	
Net investment in capital assets	\$ 2 694 397
Restricted for bond retirement	538 563
Unrestricted:	
Undesignated	223 533
Designated for capital improvements	790 091
Total Net Position	\$ 4 246 584

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Utility Fund
Operating Revenues:	
Charges for services	\$ 770 132
Total Operating Revenues	\$ 770 132
Operating Expenses:	
Personal services	\$ 320 712
Fringe benefits	142 517
Supplies, materials, and maintenance	56 292
Power and fuel	42 136
Depreciation and amortization	189 418
Other	43 027
Total Operating Expenses	\$ 794 102
Operating Income (Loss)	\$ (23 970)
Nonoperating Revenues (Expenses):	
Grants	\$ 26 500
Interest	24 412
Penalties	13 193
Cut-on fees	4 865
Miscellaneous income	279
Gain (loss) on disposal of assets	200
Interest and fiscal charges	(53 462)
Total Nonoperating Revenues (Expenses)	\$ 15 987
Net Income (Loss) Before Contributions and Transfers	\$ (7 983)
Contributions - connection fees	\$ 71 000
Contributions - capital grants	212 861
Operating transfers in / (out)	119 700
Total Contributions and Transfers	\$ 403 561
Change in Net Position	\$ 395 578
Net Position at Beginning of Year	3 851 006
Net Position at End of Year	\$ 4 246 584

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Utility Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 778 108
Cash payments to suppliers	(140 634)
Cash payments to employees	(420 833)
Net Cash Provided (Used) by Operating Activities	\$ 216 641
Cash Flows from Noncapital Financing Activities:	
Net transfers	\$ 119 700
Grants	26 500
Other noncapital financing received	18 337
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 164 537
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	\$ (247 556)
Proceeds from sale of capital assets	200
Proceeds from connection fees and capital grants	283 861
Repayment of long-term debt	(42 910)
Interest paid on long-term debt	(53 605)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (60 010)
Cash Flows from Investing Activities:	
Interest earned	\$ 24 412
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 345 580
Cash and Cash Equivalents at Beginning of Year	1 359 981
Cash and Cash Equivalents at End of Year	\$ 1 705 561
Cash and Cash Equivalents per Statement of Net Position:	
Cash and cash equivalents	\$ 1 166 998
Restricted cash and cash equivalents	538 563
Total Cash and Cash Equivalents per Statement of Net Position	\$ 1 705 561

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

STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
For the Year Ended June 30, 2021**Reconciliation of Operating Income to Net Cash
Provided (Used) by Operating Activities:**

	<u>Utility Fund</u>
Operating income (loss)	\$ (23 970)
Adjustment to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	189 418
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	7 854
Deferred outflows of resources related to pension	(53 336)
Deferred outflows of resources related to OPEB	(1 687)
Increase (decrease) in:	
Accounts payable	821
Accrued payroll	1 946
Customer deposits	(277)
Compensated absences	4 150
Net pension liability	98 123
Net OPEB liability	1 602
Customer prepayments	399
Deferred inflows of resources related to pension	(7 289)
Deferred inflows of resources related to OPEB	(1 113)
	<u>216 641</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>216 641</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town of Shenandoah, Virginia (the “Town”) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. Reporting Entity

The Town is a municipal government that is governed by an elected seven-member council, including a mayor. Generally accepted accounting principles requires these financial statements to present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable. Currently there are no component units that meet the criteria to be included in this report.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which to a significant extent rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

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

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. 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 have been met.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Government fund level financial statements are reported using the current financial resources 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 government considers revenue to be available if collected within 45 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. 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 the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. 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 one, monies must be expended for 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 other, monies are virtually unrestricted as to purpose 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 susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the Town's enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following funds are used by the Town:

1. Governmental Funds:

The following is a description of the Governmental Funds of the Town:

The General Fund accounts for the Town's primary services (General Government Administration, Public Safety, Public Works, Economic Development, etc.) and is the primary operating unit of the Town.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)****2. Proprietary Funds:**

The following is a description of the Proprietary Funds of the Town:

The Utility Fund accounts for the operation of the Town's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

3. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Cash, Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, cash and cash equivalents include business interest checking and savings accounts, certificates of deposit, and money market accounts maintained during the year.

E. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems will be recorded at historical cost on a prospective basis as the Town has elected out of recording such assets retrospectively as allowed for Phase 3 Governments.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant, and equipment of the Town is depreciated using the straight-line method over estimated useful lives ranging from three to fifty years.

F. Pensions – Virginia Retirement System (VRS)

The Town's VRS 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 Plan and the additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they were reported by the 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.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**G. Health Insurance Credit Program – Virginia Retirement System**

The Town's Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired employees. The Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Health Insurance Credit Program OPEB, and the Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Health Insurance Credit Program; and the additions to/deductions from the VRS Health Insurance Credit Program's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Group Life Insurance Program – Virginia Retirement System

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

I. Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Town through approval of resolutions. Assigned fund balances is a limitation imposed by the Town Council or a designee of the Town. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**J. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are payable in June and December. The Town bills and collects its own property taxes based on assessment values obtained from the Page County, Virginia, Commissioner of Revenue.

NOTE 2—CASH DEPOSITS:

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

Restricted cash consists of the following:

\$	10 940	Revolving loan fund
	27 960	Debt service
	35 870	Various unspent restricted donations
	<u>638 813</u>	Unearned grant funds
\$	<u>713 583</u>	Restricted cash – Governmental Activities
\$	<u>538 563</u>	Bond Retirement
\$	<u>538 563</u>	Restricted Cash – Business – Type Activities
\$	<u>1 252 146</u>	Total Restricted Cash

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Governmental Activities:

Page County:

Local sales tax \$ 13 884

Department of Criminal Justice Services:

Coronavirus Emergency Supplemental Fundings 6 030

Total – Governmental Activities \$ 19 914

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 4—CAPITAL ASSETS:

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

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 293 681	\$ -	\$ -	\$ -	\$ 293 681
Construction in progress	<u>17 547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17 547</u>
Subtotal	<u>\$ 311 228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311 228</u>
Capital assets being depreciated:					
Buildings	\$ 218 067	\$ 2 788	\$ -	\$ -	\$ 220 855
Other improvements	392 139	146 325	-	-	538 464
Police department	757 003	267 212	(45 562)	-	978 653
Street department	534 531	59 118	(17 300)	-	576 349
Office furniture and equipment	82 916	3 241	-	-	86 157
Computer center assets	<u>530 726</u>	<u>760</u>	<u>-</u>	<u>-</u>	<u>531 486</u>
Subtotal	<u>\$ 2 515 382</u>	<u>\$ 479 444</u>	<u>\$ (62 862)</u>	<u>\$ -</u>	<u>\$ 2 931 964</u>
Less accumulated depreciation:					
Buildings	\$ (159 963)	\$ (2 966)	\$ -	\$ -	\$ (162 929)
Other improvements	(172 996)	(17 893)	-	-	(190 889)
Police department	(538 171)	(87 878)	45 562	-	(580 487)
Street department	(342 650)	(32 168)	17 300	-	(357 518)
Office furniture and equipment	(66 099)	(4 073)	-	-	(70 172)
Computer center assets	<u>(440 588)</u>	<u>(4 688)</u>	<u>-</u>	<u>-</u>	<u>(445 276)</u>
Subtotal	<u>\$(1 720 467)</u>	<u>\$(149 666)</u>	<u>\$ 62 862</u>	<u>\$ -</u>	<u>\$(1 807 271)</u>
Total capital assets being depreciated, net	<u>\$ 794 915</u>	<u>\$ 329 778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1 124 693</u>
Governmental Activities capital assets, net	<u>\$ 1 106 143</u>	<u>\$ 329 778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1 435 921</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 4—CAPITAL ASSETS: (Continued)

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Business-type Activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Subtotal	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Capital assets being depreciated:					
Structures and improvements:					
Source of supply	\$ 1 185 759	\$ 90 000	\$ -	\$ -	\$ 1 275 759
Pumping plant	1 358	-	-	-	1 358
Water treatment plant	152 127	-	-	-	152 127
Sewage treatment plant	2 655 818	18 100	-	-	2 673 918
Transmission and distribution	3 903 801	80 938	-	-	3 984 739
Water treatment plant equipment	344 843	55 789	-	-	400 632
Vehicles	106 264	-	(7 495)	-	98 769
Office furniture and equipment	32 235	646	-	-	32 881
Shop equipment	88 864	2 083	-	-	90 947
Subtotal	\$ 8 471 069	\$ 247 556	\$ (7 495)	\$ -	\$ 8 711 130
Less accumulated depreciation:					
Structures and improvements:					
Source of supply	\$ (980 764)	\$ (24 465)	\$ -	\$ -	\$ (1 005 229)
Pumping plant	(1 358)	-	-	-	(1 358)
Water treatment plant	(114 180)	(3 042)	-	-	(117 222)
Sewage treatment plant	(1 357 728)	(56 335)	-	-	(1 414 063)
Transmission and distribution	(1 900 013)	(78 657)	-	-	(1 978 670)
Water treatment plant equipment	(166 534)	(17 369)	-	-	(183 903)
Vehicles	(96 762)	(5 430)	7 495	-	(94 697)
Office furniture and equipment	(31 715)	(173)	-	-	(31 888)
Shop equipment	(54 953)	(3 947)	-	-	(58 900)
Subtotal	\$ (4 704 007)	\$ (189 418)	\$ 7 495	\$ -	\$ (4 885 930)
Total capital assets being depreciated, net	\$ 3 767 062	\$ 58 138	\$ -	\$ -	\$ 3 825 200
Business-type Activities capital assets, net	\$ 3 804 008	\$ 58 138	\$ -	\$ -	\$ 3 862 146

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 4—CAPITAL ASSETS: (Continued)

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

Governmental Activities:

General government administration	\$ 7 039
Public safety	87 878
Public works	50 061
Economic development	<u>4 688</u>

Total depreciation expense – governmental activities \$ 149 666

Business-type Activities:

Utility Fund	\$ <u>189 418</u>
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Total depreciation expense – business-type activities \$ 189 418

NOTE 5—LONG-TERM DEBT:

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

Governmental Activities

Year Ending June 30	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ -	\$ -	\$ 24 335	\$ 3 625	\$ 24 335	\$ 3 625
2023	-	-	24 980	2 980	24 980	2 980
2024	-	-	25 643	2 318	25 643	2 318
2025	-	-	26 324	1 636	26 324	1 636
2026	-	-	18 335	974	18 335	974
2027 - 2031	<u>-</u>	<u>-</u>	<u>20 941</u>	<u>769</u>	<u>20 941</u>	<u>769</u>
Total	\$ <u>-</u>	\$ <u>-</u>	\$ <u>140 558</u>	\$ <u>12 302</u>	\$ <u>140 558</u>	\$ <u>12 302</u>

Business-type Activities

Year Ending June 30	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 44 886	\$ 51 630	\$ -	\$ -	\$ 44 886	\$ 51 630
2023	46 948	49 568	-	-	46 948	49 568
2024	49 104	47 412	-	-	49 104	47 412
2025	51 360	45 156	-	-	51 360	45 156
2026	53 720	42 796	-	-	53 720	42 796
2027-2031	307 963	174 617	-	-	307 963	174 617
2032-2036	385 507	97 073	-	-	385 507	97 073
2037-2041	<u>228 262</u>	<u>13 535</u>	<u>-</u>	<u>-</u>	<u>228 262</u>	<u>13 535</u>
Total	\$ <u>1 167 750</u>	\$ <u>521 787</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1 167 750</u>	\$ <u>521 787</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 5—LONG-TERM DEBT: (Continued)Changes in Long-Term Debt and Compensated Absences

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

	Amounts payable at July 1, 2020	Increases	Decreases	Amounts payable at June 30, 2021
Governmental Activities:				
Compensated absences	\$ 64 676	\$ 7 233	\$ -	\$ 71 909
Notes payable	<u>75 870</u>	<u>80 800</u>	<u>(16 112)</u>	<u>140 558</u>
Total	<u>\$ 140 546</u>	<u>\$ 88 033</u>	<u>\$ (16 112)</u>	<u>\$ 212 467</u>
Business-type Activities:				
Compensated absences	\$ 36 582	\$ 4 150	\$ -	\$ 40 732
General Obligation Bonds	<u>1 210 660</u>	<u>-</u>	<u>(42 910)</u>	<u>1 167 750</u>
Total	<u>\$ 1 247 242</u>	<u>\$ 4 150</u>	<u>\$ (42 910)</u>	<u>\$ 1 208 482</u>

Details of Long-Term IndebtednessGovernmental Activities:

Notes Payable:

Rural Utilities Services – payable monthly in the amount of \$908 commencing July 2018 for a term of ten years, including interest at 3.5%, secured by a promissory note, a financing statement on all accounts and general intangibles of the Town, and all equipment purchased with the RUS loan and grant funds. \$ 67 496

Rural Utilities Services – payable monthly in the amount of \$1,422 commencing January 2021 for a term of five years, including interest at 2.125%, secured by a promissory note, DMV liens, and other agreements with Rural Development. 73 062

Total Notes Payable \$ 140 558

Total Governmental Activities \$ 140 558

Business-type Activities:

General Obligation Bonds:

USDA/Rural Development General Obligation Refunding Bonds Series of 1999 – payable monthly in the amount of \$8,043 commencing March 3, 2001 for a term of 38 years, including interest at 4.5%. \$ 1 167 750

Total General Obligation Bonds \$ 1 167 750

Total Business-type Activities \$ 1 167 750

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN:

Plan Description

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 below:

VRS – PLAN 1

1. **About Plan 1** - Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
2. **Eligible Members** - Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

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

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

3. **Retirement Contributions** – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
4. **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.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1** (Continued)

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

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

6. **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.
7. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
8. **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%.

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.

9. **Normal Retirement Age**

VRS - Age 65.

Political subdivision hazardous duty employees - Age 60.

10. **Earliest Unreduced Retirement Eligibility**

VRS - Age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit.

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

11. **Earliest Reduced Retirement Eligibility**

VRS - Age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Political subdivision hazardous duty employees - Age 50 with at least five years of service credit.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS – PLAN 1** (Continued)

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

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

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

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability.
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.
 - The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- 13. 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.
- 14. 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.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)

VRS - PLAN 2

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

Hybrid Opt-In Election – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

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

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

3. **Retirement Contributions** – Same as Plan 1.
4. **Service Credit** - Same as Plan 1.
5. **Vesting** - Same as Plan 1.
6. **Calculating the Benefit** – See definition under Plan 1.
7. **Average Final Compensation** - A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.
8. **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.

Political subdivision hazardous duty employees – Same as Plan 1.

9. **Normal Retirement Age**

VRS – Normal Social Security retirement age.

Political subdivision hazardous duty employees – Same as Plan 1.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**VRS - PLAN 2 (Continued)****10. Earliest Unreduced Retirement Eligibility**

VRS – Normal Social Security retirement age with at least five years of service credit or when their age plus service credit equals 90.

Political subdivision hazardous duty employees – Same as Plan 1.

11. Earliest Reduced Retirement Eligibility

VRS - Age 60 with at least five years of service credit.

Political subdivision hazardous duty employees – Same as Plan 1.

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

Eligibility - Same as Plan 1.

Exceptions to COLA Effective Dates - Same as Plan 1.

13. 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.**14. Purchase of Prior Service** - Same as Plan 1.**HYBRID RETIREMENT PLAN****1. About the Hybrid Retirement Plan** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)

HYBRID RETIREMENT PLAN (Continued)

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

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

*Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

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

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

3. **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.

4. **Service Credit**

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

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

5. **Vesting**

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN (Continued)**

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

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

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

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

Distributions not required, except as governed by law.

6. Calculating the Benefit

Defined Benefit Component- See definition under Plan 1.

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

7. **Average Final Compensation** - Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

8. Service Retirement Multiplier

Defined Benefit Component:

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

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

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component – Not applicable.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN (Continued)****9. Normal Retirement Age**

Defined Benefit Component:

VRS – Same as Plan 2.

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

10. Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS – Normal Social Security retirement age and have at least five years of service credit or when their age plus service credit equals 90.

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS – Age 60 with at least five years of service credit.

Political subdivision hazardous duty employees – Not applicable.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not Applicable.

Eligibility - Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates - Same as Plan 1 and Plan 2.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**HYBRID RETIREMENT PLAN (Continued)**

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

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

14. Purchase of Prior Service

Defined Benefit Component- Same as Plan 1, with the following exception:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component- Not Applicable.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>13</u>
Inactive members:	
Vested inactive members	1
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>8</u>
Total inactive members	<u>16</u>
Active members	<u>16</u>
Total covered employees	<u>45</u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2021, was 11.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$100,532 and \$71,184 for the years ended June 30, 2021, and June 30, 2020, respectively.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Net Pension Liability**

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

Actuarial Assumptions – General Employees

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

Inflation	2.5%
Salary increases, including	
Inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT 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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 2 959 471	\$ 2 393 915	\$ 565 556
Changes for the year:			
Service cost	\$ 69 539	\$ -	\$ 69 539
Interest	195 159	-	195 159
Differences between expected and actual experience	211 004	-	211 004
Contributions - employer	-	71 182	(71 182)
Contributions - employee	-	37 066	(37 066)
Net investment income	-	45 613	(45 613)
Benefit payments, including refunds of employee contributions	(136 442)	(136 442)	-
Administrative expenses	-	(1 550)	1 550
Other changes	-	(54)	54
Net changes	\$ 339 260	\$ 15 815	\$ 323 445
Balances at June 30, 2020	\$ 3 298 731	\$ 2 409 730	\$ 889 001

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net Pension Liability	\$ 1 289 449	\$ 889 001	\$ 554 965

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

For the year ended June 30, 2021, the Town recognized pension expense of \$225,094. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 164 417	\$ -
Change of assumptions	27 927	-
Net difference between projected and actual earnings on pension plan investments	70 188	-
Employer contributions subsequent to the measurement date	<u>100 532</u>	<u>-</u>
Total	\$ <u>363 064</u>	\$ <u>-</u>

\$100,532 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

2022	\$ 124 127
2023	91 314
2024	24 097
2025	<u>22 994</u>
Total	\$ <u>262 532</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)**Pension Plan Data**

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

Payables to the Pension Plan

The Town's payables to VRS as of June 30, 2021, were as follows:

\$	8 272	Governmental Activities
	<u>3 581</u>	Business-type Activities
\$	<u>11 853</u>	Total

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM:**Plan Description**

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out below:

Health Insurance Credit Program (HIC) Plan Provisions**Eligible Employees**

The Health Insurance Credit Program was established July 1, 1993, for retired employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Benefit Amounts**

The Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- **Disability Retirement** – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>5</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	<u>-</u>
Total inactive members	<u>-</u>
Active members	<u>16</u>
Total covered employees	<u><u>21</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) 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. The Town's contractually required employer contribution rate for the year ended June 30, 2021, was .23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from the Town to the Health Insurance Credit Program were \$1,992 and \$1,618 for the years ended June 30, 2021, and June 30, 2020, respectively.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Net HI OPEB Liability**

The Town's net Health Insurance Credit OPEB liability was measured as of June 30, 2020. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation	
Locality – General employees	3.5% – 5.35%
Locality – Hazardous Duty employees	3.5% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

Mortality rates – Non-Largest Ten Locality Employers – General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)

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

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

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Long-Term Expected Rate of Return**

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

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

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

Discount Rate

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)**Changes in Net HIC OPEB Liability**

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 36 127	\$ 26 242	\$ 9 885
Changes for the year:			
Service cost	\$ 842	\$ -	\$ 842
Interest	2 347	-	2 347
Differences between expected and actual experience	2 256	-	2 256
Contributions - employer	-	1 617	(1 617)
Net investment income	-	518	(518)
Benefit payments, including refunds of employee contributions	(2 717)	(2 717)	-
Administrative expenses	-	(49)	49
Other changes	-	-	-
Net changes	\$ 2 728	\$ (631)	\$ 3 359
Balances at June 30, 2020	\$ 38 855	\$ 25 611	\$ 13 244

Sensitivity of the Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's Net HIC OPEB Liability	\$ 17 028	\$ 13 244	\$ 9 970

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2021, the Town recognized Health Insurance Credit Program OPEB expense of \$1,418. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the Health Insurance Credit Program from the following sources:

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM: (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2 428	\$ 1 817
Change of assumptions	560	523
Net difference between projected and actual earnings on HIC OPEB plan investments	840	-
Employer contributions subsequent to the measurement date	<u>1 992</u>	<u>-</u>
Total	\$ <u>5 820</u>	\$ <u>2 340</u>

\$1,992 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended June 30

2022	\$ (86)
2023	109
2024	316
2025	589
2026	464
Thereafter	<u>96</u>
Total	\$ <u>1 488</u>

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2020 Annual Report. A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Health Insurance Credit Program OPEB Plan

The Town's payables to VRS as of June 30, 2021, were as follows:

\$ 116	Governmental Activities
<u>51</u>	Business-type Activities
\$ <u>167</u>	Total

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM:

Plan Description

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

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

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

Group Life Insurance Program Plan Provisions

Eligible Employees

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

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

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

Benefit Amounts

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)**Reduction in Benefit Amounts**

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

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

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.8% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Town were \$11,617 and \$10,090 for the years ended June 30, 2021, and June 30, 2020, respectively.

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

At June 30, 2021, the Town reported a liability of \$62,414 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .00374% as compared to .00370% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense was \$2,394. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4 003	\$ 560
Net difference between projected and actual earnings on GLI OPEB program investments	1 875	-
Change in assumptions	3 121	1 303
Changes in proportionate share	1 811	1 102
Employer contributions subsequent to the measurement date	<u>11 617</u>	<u>-</u>
Total	\$ <u>22 427</u>	\$ <u>2 965</u>

\$11,617 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

2022	\$ 954
2023	1 484
2024	2 212
2025	2 437
2026	702
Thereafter	<u>56</u>
Total	\$ <u>7 845</u>

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation	
Locality – General employees	3.5% – 5.35%
Locality – Hazardous Duty employees	3.5% – 4.75%
Investment rate of return	6.75% percent, net of investment expenses, including inflation*

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)

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

Mortality rates – Non-Largest Ten Locality Employers – General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)**Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees****Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net GLI OPEB Liability

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)

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

Long-Term Expected Rate of Return

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

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

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS – GROUP LIFE INSURANCE PROGRAM: (Continued)**Discount Rate**

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

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ <u>82,048</u>	\$ <u>62,414</u>	\$ <u>46,470</u>

Group Life Insurance Program Fiduciary Net Position

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

Payables to the VRS Group Life Insurance OPEB Plan

The Town's payables to VRS as of June 30, 2021, were as follows:

\$ <u>675</u>	Governmental Activities
<u>296</u>	Business-type Activities
\$ <u>971</u>	Total

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 9 – UNEARNED REVENUES:

Unearned revenues consisted of the following as of June 30, 2021:

\$	638 813	Unearned Grant – Coronavirus State and Local Fiscal Recovery Funds
	<u>1 958</u>	Unearned Rent
\$	<u>640 771</u>	Total

NOTE 10—DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time.

The following items qualify for reporting in this category:

- A. Prepaid property taxes
Property taxes due subsequent to June 30, 2021, but paid in advance by taxpayers totaled \$11,737 at June 30, 2021. These payments were collected in the current fiscal year for property taxes levied to fund future years.
- B. Customer prepayments
Credit balances of Utility Fund customers totaled \$5,852 at June 30, 2021.
- C. Unavailable property tax revenue
Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$35,085 at June 30, 2021. This item occurs only under the modified accrual basis of accounting and is reported only on the Governmental Funds Balance Sheet. It represents receivables not collected within 45 days of year end.

NOTE 11—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS):

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 12—INTERFUND LOANS AND TRANSFERS:

Interfund transfers during the year took place as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Net transfers to fund operating expenditures and capital purchases	\$ <u>(119 700)</u>	\$ <u>119 700</u>
Total Transfers, Net	\$ <u>(119 700)</u>	\$ <u>119 700</u>

NOTE 13—SUBSEQUENT EVENTS:

The Town received \$971,574 in the first allocation of the American Rescue Plan Act to be utilized according to the grant requirements. A second installment of the same amount was received early fiscal year 2023.

The Town purchase real estate for approximately \$400,000 to be used as a welcome center/Town museum.

The Town purchased a new utility billing system, including hardware, software, training, setup, support, and installation of the retrofit meters and meter replacements for approximately \$244,000.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
General property taxes	\$ 737 100	\$ 737 100	\$ 658 405	\$ (78 695)
Other local taxes	625 065	625 065	703 788	78 723
Fines and forfeitures	2 000	2 000	663	(1 337)
Revenues from use of money and property	22 790	22 790	20 566	(2 224)
Charges for services	176 008	176 008	181 155	5 147
Miscellaneous	59 950	59 950	33 246	(26 704)
Intergovernmental:				
Revenue from the Commonwealth	78 104	78 104	86 923	8 819
Revenue from the Federal Government	2 000	313 010	488 258	175 248
Total Revenues	\$ 1 703 017	\$ 2 014 027	\$ 2 173 004	\$ 158 977
Expenditures:				
Current:				
General government administration	\$ 541 039	\$ 550 171	\$ 532 195	\$ 17 976
Public safety	463 709	517 952	537 310	(19 358)
Public works	517 508	543 248	515 250	27 998
Economic development	49 310	53 810	52 120	1 690
Capital expenditures	108 451	325 846	445 845	(119 999)
Debt Service:				
Debt service payments	23 000	23 000	19 428	3 572
Total Expenditures	\$ 1 703 017	\$ 2 014 027	\$ 2 102 148	\$ (88 121)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 70 856	\$ 70 856
Other Financing Sources (Uses):				
Proceeds from loans	\$ -	\$ -	\$ 80 800	\$ 80 800
Proceeds from sale of assets	-	-	700	700
Net operating transfers	-	-	(119 700)	(119 700)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (38 200)	\$ (38 200)
Net Change in Fund Balances	\$ -	\$ -	\$ 32 656	\$ 32 656
Fund Balance at Beginning of Year	-	-	889 467	889 467
Fund Balance at End of Year	\$ -	\$ -	\$ 922 123	\$ 922 123

See notes to required supplementary information.

TOWN OF SHENANDOAH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS For the Plan Years Ended June 30, 2014 to 2020

	<u>6/30/2020</u>	<u>6/30/2019</u>
Total Pension Liability:		
Service cost	\$ 69 539	\$ 66 405
Interest	195 159	184 148
Difference between expected and actual experience	211 004	71 282
Change of assumptions	-	81 123
Benefit payments, including refunds of employee contributions	<u>(136 442)</u>	<u>(148 348)</u>
Net Change in Total Pension Liability	\$ 339 260	\$ 254 610
Total Pension Liability at Beginning of Year	<u>2 959 471</u>	<u>2 704 861</u>
Total Pension Liability at End of Year (a)	<u><u>\$ 3 298 731</u></u>	<u><u>\$ 2 959 471</u></u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 71 182	\$ 67 516
Contributions - employee	37 066	72 397
Net investment income	45 613	151 787
Benefit payments, including refunds of employee contributions	(136 442)	(148 348)
Administrative expense	(1 550)	(1 456)
Other	<u>(54)</u>	<u>(96)</u>
Net Change in Plan Fiduciary Net Position	\$ 15 815	\$ 141 800
Plan Fiduciary Net Position at Beginning of Year	<u>2 393 915</u>	<u>2 252 115</u>
Plan Fiduciary Net Position at End of Year (b)	<u><u>\$ 2 409 730</u></u>	<u><u>\$ 2 393 915</u></u>
Net Pension Liability at End of Year (a) - (b)	<u><u>\$ 889 001</u></u>	<u><u>\$ 565 556</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.05%	80.89%
Covered Payroll	\$ 770 209	\$ 697 033
Net Pension Liability as a Percentage of Covered Payroll	115.42%	81.14%

Schedule is intended to show information for ten years. Additional years will be included as they become available.

See notes to required supplementary information.

<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
\$ 64 959	\$ 68 681	\$ 67 727	\$ 65 382	\$ 62 685
173 964	175 379	173 941	166 523	158 794
38 926	(51 601)	(41 779)	(11 473)	-
-	(25 990)	-	-	-
<u>(116 369)</u>	<u>(257 006)</u>	<u>(101 688)</u>	<u>(127 240)</u>	<u>(94 892)</u>
\$ 161 480	\$ (90 537)	\$ 98 201	\$ 93 192	\$ 126 587
<u>2 543 381</u>	<u>2 633 918</u>	<u>2 535 717</u>	<u>2 442 525</u>	<u>2 315 938</u>
<u>\$ 2 704 861</u>	<u>\$ 2 543 381</u>	<u>\$ 2 633 918</u>	<u>\$ 2 535 717</u>	<u>\$ 2 442 525</u>
\$ 64 644	\$ 63 489	\$ 84 152	\$ 80 470	\$ 76 857
33 177	32 679	33 986	32 532	30 360
156 206	244 575	35 125	88 486	259 906
(116 369)	(257 006)	(101 688)	(127 240)	(94 892)
(1 337)	(1 555)	(1 216)	(1 201)	(1 379)
<u>(140)</u>	<u>(207)</u>	<u>(15)</u>	<u>(17)</u>	<u>14</u>
\$ 136 181	\$ 81 975	\$ 50 344	\$ 73 030	\$ 270 866
<u>2 115 934</u>	<u>2 033 959</u>	<u>1 983 615</u>	<u>1 910 585</u>	<u>1 639 719</u>
<u>\$ 2 252 115</u>	<u>\$ 2 115 934</u>	<u>\$ 2 033 959</u>	<u>\$ 1 983 615</u>	<u>\$ 1 910 585</u>
<u>\$ 452 746</u>	<u>\$ 427 447</u>	<u>\$ 599 959</u>	<u>\$ 552 102</u>	<u>\$ 531 940</u>
83.26%	83.19%	77.22%	78.23%	78.22%
\$ 671 796	\$ 637 664	\$ 662 961	\$ 661 804	\$ 617 664
67.39%	67.03%	90.50%	83.42%	86.12%

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
 For the Years Ended June 30, 2012 to 2021

Year Ending June 30,	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
2021	\$ 100 532	\$ 100 532	\$ -	\$ 867 036	11.59%
2020	71 184	71 184	-	770 209	9.24%
2019	67 513	67 513	-	697 033	9.69%
2018	64 645	64 645	-	671 796	9.62%
2017	63 489	63 489	-	637 664	9.96%
2016	84 152	84 152	-	662 961	12.69%
2015	80 470	80 470	-	661 804	12.16%
2014	76 857	76 857	-	617 664	12.44%
2013	74 168	74 168	-	590 244	12.57%
2012	85 576	85 576	-	538 105	15.90%

See notes to required supplementary information.

TOWN OF SHENANDOAH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET HEALTH INSURANCE CREDIT OPEB LIABILITY AND RELATED RATIOS

For the Plan Years Ended June 30, 2017 to 2020

	<u>6/30/2020</u>	<u>6/30/2019</u>
Total HIC OPEB Liability:		
Service cost	\$ 842	\$ 825
Interest	2 347	2 275
Difference between expected and actual experience	2 256	772
Change in assumptions	-	814
Benefit payments, including refunds of employee contributions	<u>(2 717)</u>	<u>(2 127)</u>
Net Change in Total HIC OPEB Liability	\$ 2 728	\$ 2 559
Total HIC OPEB Liability at Beginning of Year	<u>36 127</u>	<u>33 568</u>
Total HIC OPEB Liability at End of Year (a)	<u><u>\$ 38 855</u></u>	<u><u>\$ 36 127</u></u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 1 617	\$ 1 521
Net investment income	518	1 614
Benefit payments, including refunds of employee contributions	(2 717)	(2 127)
Administrative expense	(49)	(35)
Other	<u>-</u>	<u>(2)</u>
Net Change in Plan Fiduciary Net Position	\$ (631)	\$ 971
Plan Fiduciary Net Position at Beginning of Year	<u>26 242</u>	<u>25 271</u>
Plan Fiduciary Net Position at End of Year (b)	<u><u>\$ 25 611</u></u>	<u><u>\$ 26 242</u></u>
Net HIC OPEB Liability at End of Year (a) - (b)	<u><u>\$ 13 244</u></u>	<u><u>\$ 9 885</u></u>
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	65.91%	72.64%
Covered Payroll	\$ 770 209	\$ 697 033
Net HIC OPEB Liability as a Percentage of Covered Payroll	1.72%	1.42%

Schedule is intended to show information for ten years. Additional years will be included as they become available.

See notes to required supplementary information.

<u>6/30/2018</u>	<u>6/30/2017</u>
\$ 813	\$ 893
2 440	2 449
(3 374)	-
-	(1 483)
<u>(2 336)</u>	<u>(1 630)</u>
\$ (2 457)	\$ 229
<u>36 025</u>	<u>35 796</u>
<u>\$ 33 568</u>	<u>\$ 36 025</u>
\$ 1 635	\$ 1 593
1 716	2 520
(2 336)	(1 630)
(40)	(41)
<u>(128)</u>	<u>128</u>
\$ 847	\$ 2 570
<u>24 424</u>	<u>21 854</u>
<u>\$ 25 271</u>	<u>\$ 24 424</u>
<u>\$ 8 297</u>	<u>\$ 11 601</u>
75.28%	67.80%
\$ 671 796	\$ 637 664
1.24%	1.82%

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO HEALTH INSURANCE CREDIT OPEB PLAN
 For the Years Ended June 30, 2012 to 2021

Year Ending June 30,	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
2021	\$ 1 992	\$ 1 992	\$ -	\$ 867 036	0.23%
2020	1 618	1 618	-	770 209	0.21%
2019	1 519	1 519	-	697 033	0.22%
2018	1 634	1 634	-	671 796	0.24%
2017	1 595	1 595	-	637 664	0.25%
2016	2 136	2 136	-	662 961	0.32%
2015	1 990	1 990	-	661 804	0.30%
2014	2 188	2 188	-	617 664	0.35%
2013	2 111	2 111	-	590 244	0.36%
2012	2 118	2 118	-	538 105	0.39%

See notes to required supplementary information.

TOWN OF SHENANDOAH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Measurement Dates of June 30, 2017 to 2020

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00374%	0.00370%	0.00358%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 62 414	\$ 60 209	\$ 54 000
Employer's Covered Payroll	\$ 770 209	\$ 697 033	\$ 671 796
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.10%	8.64%	8.04%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%

Schedule is intended to show information for ten years. Additional years will be included as they become available.

See notes to required supplementary information.

6/30/2017

0.00360%

\$ 54 000

\$ 637 664

8.47%

48.86%

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO GROUP LIFE INSURANCE OPEB PLAN
 For the Years Ended June 30, 2012 to 2021

Year Ending June 30,	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
2021	\$ 11 617	\$ 11 617	\$ -	\$ 867 036	1.34%
2020	10 090	10 090	-	770 209	1.31%
2019	9 491	9 491	-	697 033	1.36%
2018	8 922	8 922	-	671 796	1.33%
2017	8 694	8 694	-	637 664	1.36%
2016	8 200	8 200	-	662 961	1.24%
2015	7 640	7 640	-	661 804	1.15%
2014	7 233	7 233	-	617 664	1.17%
2013	6 977	6 977	-	590 244	1.18%
2012	1 520	1 520	-	538 105	0.28%

See notes to required supplementary information.

TOWN OF SHENANDOAH, VIRGINIA**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2021

NOTE 1 - BUDGETARY COMPARISON SCHEDULE:

The unfavorable variances shown on Exhibit 1 are offset by the favorable variances in Total Revenues that occurred as a result of grants received.

NOTE 2 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND CONTRIBUTIONS AND NET HIC AND GLI OPEB LIABILITIES AND CONTRIBUTIONS:

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL FUND:			
Revenue from Local Sources:			
General Property Taxes:			
Real property taxes	\$ 582 400	\$ 538 423	\$ (43 977)
Personal property taxes	123 700	99 221	(24 479)
Penalties and interest	31 000	20 761	(10 239)
Total General Property Taxes	\$ 737 100	\$ 658 405	\$ (78 695)
Other Local Taxes:			
Local sales and use taxes	\$ 132 100	\$ 148 345	\$ 16 245
Restaurant food taxes	196 000	221 212	25 212
Business licenses	51 000	50 900	(100)
Motor vehicle licenses	53 000	63 469	10 469
Utility taxes	27 000	26 014	(986)
Electric surtax	32 000	33 370	1 370
Communications tax	23 000	20 894	(2 106)
Cigarette tax	40 000	42 000	2 000
Electric franchise	9 465	9 465	-
Bank stock taxes	46 000	61 721	15 721
Transient occupancy tax	8 200	12 844	4 644
Permits and administration	7 300	13 554	6 254
Total Other Local Taxes	\$ 625 065	\$ 703 788	\$ 78 723
Fines and Forfeitures:			
Fines and forfeitures	\$ 2 000	\$ 663	\$ (1 337)
Revenues from Use of Money and Property:			
Revenue from use of money	\$ 800	\$ 1 453	\$ 653
Revenue from use of property	21 990	19 113	(2 877)
Total Revenues from Use of Money and Property	\$ 22 790	\$ 20 566	\$ (2 224)
Charges for Services:			
Charges for maintenance of highways, streets, bridges and sidewalks	\$ 16 000	\$ 19 465	\$ 3 465
Charges for sanitation and waste removal	144 576	146 798	2 222
Computer center revenue	5 000	4 910	(90)
Broadband revenue	9 732	9 732	-
Sale of services and supplies	700	250	(450)
Total Charges for Services	\$ 176 008	\$ 181 155	\$ 5 147

TOWN OF SHENANDOAH, VIRGINIA

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Schedule 1

(Continued)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL FUND: (Continued)			
Miscellaneous:			
Donations	\$ 55 700	\$ 25 432	\$ (30 268)
Refunds/claims	3 000	-	(3 000)
Miscellaneous revenue	<u>1 250</u>	<u>7 814</u>	<u>6 564</u>
Total Miscellaneous	<u>\$ 59 950</u>	<u>\$ 33 246</u>	<u>\$ (26 704)</u>
Total Revenue from Local Sources	<u>\$ 1 622 913</u>	<u>\$ 1 597 823</u>	<u>\$ (25 090)</u>
Revenue from the Commonwealth:			
Noncategorical Aid:			
Railroad rolling stock taxes	\$ 12 300	\$ 11 992	\$ (308)
Aid to localities with police departments	<u>49 704</u>	<u>53 739</u>	<u>4 035</u>
Total Noncategorical Aid	<u>\$ 62 004</u>	<u>\$ 65 731</u>	<u>\$ 3 727</u>
Categorical Aid:			
Litter control grant	\$ 1 100	\$ 1 224	\$ 124
VML safety grant	2 000	1 968	(32)
Fire fund	10 000	15 000	5 000
Healthy Communities Action Team Grant	<u>3 000</u>	<u>3 000</u>	<u>-</u>
Total Categorical Aid	<u>\$ 16 100</u>	<u>\$ 21 192</u>	<u>\$ 5 092</u>
Total Revenue from the Commonwealth	<u>\$ 78 104</u>	<u>\$ 86 923</u>	<u>\$ 8 819</u>
Revenue from the Federal Government:			
Categorical Aid:			
Department of Justice-Coronavirus Emergency Supplemental Funding Grant	\$ 2 000	\$ 43 068	\$ 41 068
Department of Agriculture-Community Facilities Grant	-	14 200	14 200
Department of the Treasury-Coronavirus Relief Fund	311 010	311 090	80
Department of the Treasury-Coronavirus State and Local Fiscal Recovery Funds	<u>-</u>	<u>119 900</u>	<u>119 900</u>
Total Categorical Aid	<u>\$ 313 010</u>	<u>\$ 488 258</u>	<u>\$ 175 248</u>
Total Revenue from the Federal Government	<u>\$ 313 010</u>	<u>\$ 488 258</u>	<u>\$ 175 248</u>
Total General Fund	<u>\$ 2 014 027</u>	<u>\$ 2 173 004</u>	<u>\$ 158 977</u>

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND:			
General Government Administration:			
Legislative:			
Ordinance codification	\$ 2 000	\$ 1 175	\$ 825
General and Financial Administration:			
General administration	\$ 187 866	\$ 172 505	\$ 15 361
Professional services	14 500	11 628	2 872
Risk management	90 418	85 347	5 071
Employee benefits, including payroll taxes	255 387	261 540	(6 153)
Total General and Financial Administration	<u>\$ 548 171</u>	<u>\$ 531 020</u>	<u>\$ 17 151</u>
Total General Government Administration	<u>\$ 550 171</u>	<u>\$ 532 195</u>	<u>\$ 17 976</u>
Public Safety:			
Law enforcement and traffic control	\$ 507 952	\$ 522 395	\$ (14 443)
Fire and rescue services	10 000	14 915	(4 915)
Total Public Safety	<u>\$ 517 952</u>	<u>\$ 537 310</u>	<u>\$ (19 358)</u>
Public works:			
Maintenance of Highways, Streets, Bridges and Sidewalks:			
Highways, streets, bridges and sidewalks	\$ 278 698	\$ 291 469	\$ (12 771)
Street lights	48 100	45 234	2 866
Total Maintenance of Highways, Streets, Bridges and Sidewalks	<u>\$ 326 798</u>	<u>\$ 336 703</u>	<u>\$ (9 905)</u>
Sanitation and Waste Removal:			
Refuse collection	\$ 116 760	\$ 115 707	\$ 1 053
Maintenance of General Buildings and Grounds:			
General properties	\$ 11 700	\$ 8 975	\$ 2 725
Parks, Recreation and Cultural:			
Recreational and cultural activities	\$ 87 990	\$ 53 865	\$ 34 125
Total Parks, Recreation and Cultural	<u>\$ 87 990</u>	<u>\$ 53 865</u>	<u>\$ 34 125</u>
Total Public Works	<u>\$ 543 248</u>	<u>\$ 515 250</u>	<u>\$ 27 998</u>

TOWN OF SHENANDOAH, VIRGINIA

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Schedule 2

(Continued)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL FUND: (Continued)			
Economic Development:			
Economic development administration	\$ 11 010	\$ 7 388	\$ 3 622
Computer Center	<u>42 800</u>	<u>44 732</u>	<u>(1 932)</u>
Total Economic Development	<u>\$ 53 810</u>	<u>\$ 52 120</u>	<u>\$ 1 690</u>
Capital Expenditures:			
Police equipment	\$ 15 204	\$ 30 539	\$ (15 335)
Street equipment	4 000	-	4 000
Town office equipment	1 000	646	354
Miscellaneous	1 000	-	1 000
Department of Agriculture-Community Facilities Grant/Loan	-	95 000	(95 000)
Department of the Treasury-Coronavirus Relief Fund	217 395	202 060	15 335
Department of the Treasury-Coronavirus State and Local Fiscal Recovery Funds	<u>87 247</u>	<u>117 600</u>	<u>(30 353)</u>
Total Capital Expenditures	<u>\$ 325 846</u>	<u>\$ 445 845</u>	<u>\$ (119 999)</u>
Debt Service:			
Debt service payments	<u>\$ 23 000</u>	<u>\$ 19 428</u>	<u>\$ 3 572</u>
Total General Fund	<u><u>\$ 2 014 027</u></u>	<u><u>\$ 2 102 148</u></u>	<u><u>\$ (88 121)</u></u>