

TOWN OF BROADWAY, VIRGINIA

FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2022

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

**THE HONORABLE MEMBERS
OF THE TOWN COUNCIL
TOWN OF BROADWAY, VIRGINIA**

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 87, *Leases*. And Statement No. 92, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

Change in Consistency

The presentation of the Industrial Development Authority (IDA) was modified beginning with the 2022 financial statements to present the IDA as a discretely presented component unit rather than as a fiduciary fund.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Broadway, Virginia's basic financial statements. The other accompanying supporting schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules and the schedule of expenditures of federal awards are 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 December 15, 2022, on our consideration of Town of Broadway, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Broadway, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Broadway, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Broadway's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2022. Please read it in conjunction with the Town's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$18,849,817 at the close of the most recent fiscal year.
- The Town's net position increased as a result of this year's operations. The net position of the business-type activities increased by \$263,037, and the net position of the governmental activities decreased by \$147,395.
- In the Town's business-type activities, operating revenues decreased by \$942,724 (due to ARPA funding used to offset water and sewer billings) from the previous year while operating expenses increased by \$330,711.
- In the Town's general fund, operating revenues increased \$733,472 from the previous year while operating expenses increased \$2,322,327.
- Actual revenues were \$888,595 less than budgeted for the General Fund. General Fund expenditures were \$1,085,137 less than budgeted.
- Operating revenues were \$507,572 less than budgeted for the Water Fund (due to ARPA funding used to offset water billings). Water Fund operating expenses, excluding depreciation, were \$88,616 more than budgeted. In addition, capital expense was \$500,000 more than budgeted, and principal payments were \$129,000 more than budgeted.
- Operating revenues were \$34,127 more than budgeted for the Sewer Fund. Sewer Fund operating expenses, excluding depreciation, were \$122,628 more than budgeted. In addition, capital expense and principal payments were over budget by \$629,603 more than budgeted.
- The Town added \$2,707,081 in capital additions during the fiscal year.
- The Town's long-term debt decreased by \$830,651 during the current fiscal year.
- Through the American Rescue Plan Act of 2021 (ARPA), the Town expended \$1,942,316. \$121,305 was unspent at June 30, 2022.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net position and the Statement of Activities (on pages 13 and 14-15) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Industrial Development Authority

The Industrial Development Authority operates to promote economic development to businesses throughout the Town. The Town Council appoints the Board Members as well as provides significant funding to the Authority.

Reporting the Town as a Whole

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

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

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

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

Reporting the Town's Most Significant Fund

The fund financial statements begin on page 16 and provide detailed information about the Town's funds – not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the budget ordinance. The Town's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

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

THE TOWN AS A WHOLE

The Town's combined net position changed slightly from a year ago increasing from \$18,734,175 to \$18,849,817. During the year, the net position of the governmental activities decreased by 1.9 percent and business-type activities increased by 1.90 percent. Below is a summary of the net position as of June 30, 2022 and 2021.

Net Position						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 16,343	\$ 3,272,756	\$ 1,668,980	\$ 1,433,285	\$ 1,685,323	\$ 4,706,041
Capital assets	7,541,200	6,246,880	31,432,665	31,104,812	38,973,865	37,351,692
Total assets	<u>\$ 7,557,543</u>	<u>\$ 9,519,636</u>	<u>\$ 33,101,645</u>	<u>\$ 32,538,097</u>	<u>\$ 40,659,188</u>	<u>\$ 42,057,733</u>
Total deferred outflows of resources	\$ 192,782	\$ 207,265	\$ 1,482,382	\$ 1,535,033	\$ 1,675,164	\$ 1,742,298
Long-term liabilities	\$ 352,384	\$ 543,250	\$ 20,320,512	\$ 21,293,713	\$ 20,672,896	\$ 21,836,963
Other liabilities	559,570	2,319,780	748,614	440,363	1,308,184	2,760,143
Total liabilities	<u>\$ 911,954</u>	<u>\$ 2,863,030</u>	<u>\$ 21,069,126</u>	<u>\$ 21,734,076</u>	<u>\$ 21,981,080</u>	<u>\$ 24,597,106</u>
Total deferred inflows of resources	\$ 550,744	\$ 428,849	\$ 952,711	\$ 39,901	\$ 1,503,455	\$ 468,750
Net position:						
Net investment in capital assets	\$ 7,311,011	\$ 6,072,369	\$ 13,161,231	\$ 11,435,319	\$ 20,472,242	\$ 17,507,688
Unrestricted	(1,023,384)	362,653	(599,041)	863,834	(1,622,425)	1,226,487
Total net position	<u>\$ 6,287,627</u>	<u>\$ 6,435,022</u>	<u>\$ 12,562,190</u>	<u>\$ 12,299,153</u>	<u>\$ 18,849,817</u>	<u>\$ 18,734,175</u>

The largest portion of the Town's net position, reflects its investments in capital assets (e.g., land, buildings, equipment, improvements), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position (\$1,622,425) should become positive in fiscal year 2023 due to additional ARPA funding received.

The following is a summary of the change in net position for the government and business-type activities for the years ended June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Charges for services	\$ 162,431	\$ 333,827	\$ 3,525,361	\$ 4,461,295	\$ 3,687,792	\$ 4,795,122
General property taxes	383,409	366,050	-	-	383,409	366,050
Other local taxes	980,823	966,714	-	-	980,823	966,714
Intergovernmental	1,715,626	864,582	-	-	1,715,626	864,582
Miscellaneous	12,994	1,567	2,776	9,566	15,770	11,133
Total revenues	<u>\$ 3,255,283</u>	<u>\$ 2,532,740</u>	<u>\$ 3,528,137</u>	<u>\$ 4,470,861</u>	<u>\$ 6,783,420</u>	<u>\$ 7,003,601</u>
Program Expenses:						
General government	\$ 633,343	\$ 561,926	\$ -	\$ -	\$ 633,343	\$ 561,926
Public safety	758,785	761,401	-	-	758,785	761,401
Public works	836,206	640,258	-	-	836,206	640,258
Health and welfare	16,000	-	-	-	16,000	-
Parks, recreation, and cultural	312,644	247,818	-	-	312,644	247,818
Community development	857,306	21,372	-	-	857,306	21,372
RBEG	-	-	-	687	-	687
Water	-	-	688,547	769,207	688,547	769,207
Sewer	-	-	3,231,230	2,840,523	3,231,230	2,840,523
Total expenses	<u>\$ 3,414,284</u>	<u>\$ 2,232,775</u>	<u>\$ 3,919,777</u>	<u>\$ 3,610,417</u>	<u>\$ 7,334,061</u>	<u>\$ 5,843,192</u>
Operating income	<u>\$ (159,001)</u>	<u>\$ 299,965</u>	<u>\$ (391,640)</u>	<u>\$ 860,444</u>	<u>\$ (550,641)</u>	<u>\$ 1,160,409</u>
Nonoperating:						
American Rescue Plan Act	\$ -	\$ -	\$ 941,078	\$ -	\$ 941,078	\$ -
Lease revenue	16,000	14,000	40,225	25,101	56,225	39,101
Interest earnings	699	559	26,808	1,653	27,507	2,212
Spring lease fees	-	-	-	(5,000)	-	(5,000)
Gain (loss) on disposal of assets	-	(12,462)	21,777	-	21,777	(12,462)
Interest expense	(5,093)	(10,102)	(520,697)	(501,995)	(525,790)	(512,097)
Unrealized loss on investments	-	-	(11,994)	-	(11,994)	-
Debt issuance cost	-	-	-	(63,209)	-	(63,209)
Total nonoperating	<u>\$ 11,606</u>	<u>\$ (8,005)</u>	<u>\$ 497,197</u>	<u>\$ (543,450)</u>	<u>\$ 508,803</u>	<u>\$ (551,455)</u>
Income before contributions and transfers	<u>\$ (147,395)</u>	<u>\$ 291,960</u>	<u>\$ 105,557</u>	<u>\$ 316,994</u>	<u>\$ (41,838)</u>	<u>\$ 608,954</u>
Contributions	-	57,361	157,480	90,000	157,480	147,361
Transfers	-	21,919	-	(21,919)	-	-
Change in net position	<u><u>\$ (147,395)</u></u>	<u><u>\$ 371,240</u></u>	<u><u>\$ 263,037</u></u>	<u><u>\$ 385,075</u></u>	<u><u>\$ 115,642</u></u>	<u><u>\$ 756,315</u></u>

The Town's total revenues decreased by \$780,000, and the total cost of all programs and services increased by \$1,518,272 (20.99 percent). Our analysis that follows separately considers the operations of governmental and business-type activities.

Governmental Activities

Operating revenues for the Town's governmental activities increased by \$775,543 (24 percent) and operating expenses increased by \$1,181,509 (53 percent). The factors driving these results include:

Revenues

- *General property taxes* increased by \$17,359. Although the tax rates remained the same, the taxable values of both real estate and personal property in the Town increased over the prior year.
- *Intergovernmental revenues* increased by \$851,044. The most significant increase in this category was the American Rescue Plan Act funding. American Rescue Plan Act funding in the amount of \$941,078 was provided to the Town to help navigate the continuing impact of the COVID-19 outbreak.
- *Charges for services* overall decreased by \$171,396. Trash collection fees decreased by \$196,540 which was supplemented by ARPA funding. Park revenue increased by \$6,354 from the prior year.
- *Other local taxes* increased by \$14,109. The most significant increases in this category were meals tax and cigarette tax which increased by \$48,938 and \$26,785, respectively.

Expenses

- *General government* increased by \$71,417. The most significant increases in this category were due to capital outlay expenditures during the fiscal year.
- *Public safety* decreased by \$2,616.
- *Public works* increased by \$195,948. The most significant increase in this category was due to an increase of approximately \$180,000 in street repairs and maintenance costs for the year
- *Health and welfare* increased by 16,000. This increase is attributable to a contribution made in FY 2022 to Plains Daycare.
- *Cultural and recreation* increased by \$64,826. The most significant increase in this category was related to capital outlays approved by Council.
- *Community development* increased by \$835,934. This increase is attributable to \$807,501 in grants provided to local businesses to aid in their recovery from the COVID-19 pandemic.

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Business-Type Activities

Operating revenues for the Town's business-type activities decreased by \$942,724 (21 percent) and operating expenses increased by \$309,360 (8.6 percent). The factors driving these results include:

Revenues

- *Water and sewer revenues* decreased by \$935,934. This decrease can be attributed to the decision by Council to provide up to a \$750 credit to all water and sewer customers. This credit was funded by the American Rescue Plan Act. Connection fees decreased by \$67,480 in FY2022. Connections vary from year to year based on the development occurring in the town due to construction.

Expenses

- *Water and sewer and RBEG operating expenses* increases by \$309,360. The most significant increases over FY2021 were sewer salaries \$35,000, and chemical costs increasing by approximately \$200,000. Additionally, repairs and maintenance increased by \$78,000, depreciation by \$32,000, and sludge removal by \$73,000.

The Town's business-type activities also included and increases in interest expense of \$19,000. Additionally, the Business-type fund investments showed a decline in fair value of approximately \$12,000 in 2022.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a fund balance of \$(836,904), which is a decrease of \$1,415,937 over last year's total of \$579,033.

The changes in the General Fund mirror the changes noted in the previous section under "governmental activities" plus changes for capital outlay. During the year, the Town disbursed \$1,619,570 on capital outlay. This was an increase of \$1,140,496 from the prior year.

As the Town completed the year, its proprietary fund (as presented in the statements of net position on page 13) reported a net position of \$12,562,190, which is an increase of \$241,686 from last year's total of \$12,320,504. Significant changes in the change in net position are noted in the previous section under "business-type" activities.

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GENERAL FUND BUDGETARY HIGHLIGHTS

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

- American Rescue Act Funds received and expended during the fiscal year
- Prior year carryovers for police and capital outlay in the general fund,

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

<u>Account</u>	<u>Variance Positive (Negative)</u>
Revenues	
General property taxes	\$ 40,953
Other local taxes	173,823
Intergovernmental revenues	(957,495)
Trash collection fees	(188,002)
Expenditures	
<i>General Government Administration</i>	
Town manager and administration	\$ 828,029
<i>Public safety</i>	
Police department	(5,162)
Contributions to fire and rescue services	(2,000)
<i>Public Works</i>	
Highways, streets, bridges and sidewalks	172,291
Refuse collection and disposal	(31,097)
<i>Parks, recreation, and cultural</i>	
Operating expenses	136,484
<i>Community development</i>	
Planning and community development	(14,067)
<i>Debt services</i>	
Principal on loans	(1,926)

Actual revenues were \$888,595 less than budgeted. The positive variance in general property taxes of \$40,953 was due to an increase in the taxable values of personal property in the Town. Other local taxes were more than budgeted due to better-than expected revenue from meals tax, cigarette tax and sales and use tax. The general fund showed a negative balance in its federal ARPA revenue line of \$984,175. This variance is slightly misleading as these revenues were recorded in the water and sewer funds as a result of the \$750 per customer credit approved by Council.

Actual expenditures were \$1,085,137 less than budgeted. The most significant favorable variance was in the department of the Town Manager which was \$828,029 less than budgeted. This variance is attributable to ARPA funding originally budgeted but subsequently transferred to the water and sewer funds to supplement the credit provided to those customers. Street maintenance expenditures were less than expected by \$172,291. The Town can carry these funds forward and schedule the projects for the upcoming year.

Expenditures in the Town's refuse, collection and disposal department exceed the budget by \$31,097 due to increase in costs to provide the services to Town residents.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the Town had \$38.8 million invested in capital assets including public works and police equipment, buildings, park facilities, sidewalks, and the water and sewer system. (See table below). This represents a net increase of \$1,502,479 of 4 percent, compared to last year.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 903,191	\$ 903,191	\$ 143,397	\$ 143,397	\$ 1,046,588	\$ 1,046,588
Land - Lease	-	-	116,175	-	116,175	-
Construction in progress	1,238,670	-	594,878	-	1,833,548	-
Buildings and improvements	964,115	844,421	-	-	844,421	844,421
Land improvements	1,658,380	1,576,047	-	-	1,658,380	1,576,047
Equipment	316,560	317,741	772,806	702,362	1,089,366	1,020,103
Infrastructure	2,460,284	2,605,480	-	-	2,460,284	2,605,480
Utility system	-	-	29,805,409	30,259,053	29,805,409	30,259,053
Totals	<u>\$ 7,541,200</u>	<u>\$ 6,246,880</u>	<u>\$ 31,432,665</u>	<u>\$ 31,104,812</u>	<u>\$ 38,854,171</u>	<u>\$ 37,351,692</u>

This year's additions included:

Dodge Durango	\$ 74,049
Old School House	330,438
Three Directional Antennas	7,866
Heritage Park Lighting Project	15,018
Police Department Renovation	4,900
Water Line	7,315
Waste Pumps	32,093
Sewer Rehabilitation	303,941
Dump Truck	142,008
Wire Fence	7,276
	<u>\$ 924,904</u>

Debt

At year-end, the Town had \$20,253,432 in outstanding bonds and loans compared to \$21,034,083 last year. This is an decrease of 3.7 percent as shown in the following tables.

Governmental Activities

	Outstanding June 30,	
	2022	2021
Branch Banking & Trust, series 2012A bond	\$ 151,203	\$ 174,129
Line of credit	50,000	-
	<u>\$ 201,203</u>	<u>\$ 174,129</u>

Business-Type Activities

	Outstanding June 30,	
	2022	2021
Bond payable, series 2015B, (Virginia Resources Authority)	\$ 6,290,062	6,664,434
Bond payable, series 2015A, (Virginia Resources Authority)	845,000	1,045,000
Bond payable, series 2018, (Virginia Resources Authority)	5,237,167	5,370,520
Bond payable, series 2020, (Virginia Resources Authority)	7,680,000	7,780,000
	<u>\$ 20,052,229</u>	<u>\$ 20,859,954</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The proposed budget for FY 2022-2023 is \$7 million, an increase of approximately \$440,000 over the original budget from the previous year.

Tax rates and utility fees remain at the same level as FY 2022-2023. All increases are based on historically steady revenue interest.

The General Fund revenues are projected to increase \$167,600 during FY 2022-2023. Sales and meals tax revenues are increased 21 percent each to reflect actual collections in the most recent year. Minor increases are expected in most other revenue categories. Expenses are expected increase 5.4 percent from the prior year, due to increase in street maintenance.

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

The Sewer Fund are expected to increase by 2.45 percent over the current year. The increase is primarily due to the expected increase in revenues from wastewater contracts and sludge revenue in FY2022-2023. Expenses are projected to increase by 2.45 percent over the current year. The primary category expected to increase is salaries, up to \$45,000 over the prior year.

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 82,193	\$ 274,179	\$ 356,372	\$ 20,004
Receivables (net of allowance for uncollectibles):				
Taxes receivable	311,658	-	311,658	-
Accounts receivable	71,559	99,897	171,456	-
Notes receivable	-	46,604	46,604	-
Leases receivable	-	652,293	652,293	-
Due from primary government	-	-	-	50,000
Due from other governmental units	55,700	-	55,700	-
Inventories	6,534	47,501	54,035	-
Internal balances	(511,301)	511,301	-	-
Restricted:				
Cash and cash equivalents	-	37,205	37,205	-
Capital assets, net of accumulated depreciation:				
Land	903,191	143,397	1,046,588	-
Buildings and improvements	964,115	-	964,115	-
Park and improvements	1,658,380	-	1,658,380	-
Machinery and equipment	316,560	772,806	1,089,366	-
Infrastructure	2,460,284	-	2,460,284	-
Utility plant in service	-	29,805,409	29,805,409	-
Construction in progress	1,238,670	594,878	1,833,548	-
Lease assets	-	116,175	116,175	-
Total assets	<u>\$ 7,557,543</u>	<u>\$ 33,101,645</u>	<u>\$ 40,659,188</u>	<u>\$ 70,004</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ -	\$ 1,237,426	\$ 1,237,426	\$ -
Pension related items	182,760	234,570	417,330	-
OPEB related items	10,022	10,386	20,408	-
Total deferred outflows of resources	<u>\$ 192,782</u>	<u>\$ 1,482,382</u>	<u>\$ 1,675,164</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 373,823	\$ 444,470	\$ 818,293	\$ -
Accrued liabilities	43,799	45,688	89,487	-
Connection fees payable	-	10,920	10,920	-
Due to component unit	50,000	-	50,000	-
Retainage Payable	48,850	-	48,850	-
Customers' deposits	-	37,205	37,205	-
Accrued interest payable	-	132,123	132,123	-
Unearned revenue	43,097	78,208	121,305	-
Long-term liabilities:				
Due within one year	213,356	834,090	1,047,446	-
Due in more than one year	139,028	19,486,422	19,625,450	-
Total liabilities	<u>\$ 911,953</u>	<u>\$ 21,069,126</u>	<u>\$ 21,981,079</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Lease related	\$ -	\$ 633,466	\$ 633,466	\$ -
Deferred revenue - property taxes	285,781	-	285,781	-
Pension related items	253,136	306,986	560,122	-
OPEB related items	11,828	12,259	24,087	-
Total deferred inflows of resources	<u>\$ 550,745</u>	<u>\$ 952,711</u>	<u>\$ 1,503,456</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 7,311,011	\$ 13,161,231	\$ 20,472,242	\$ -
Unrestricted (deficit)	(1,023,384)	(599,041)	(1,622,425)	70,004
Total net position	<u>\$ 6,287,627</u>	<u>\$ 12,562,190</u>	<u>\$ 18,849,817</u>	<u>\$ 70,004</u>

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

Town of Broadway, Virginia

Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 633,343	\$ 28,808	\$ -	\$ -
Public safety	758,785	-	82,149	-
Public works	836,206	39,998	483,252	-
Health and welfare	16,000	-	-	-
Parks, recreation, and cultural	312,644	86,315	-	-
Community development	857,306	7,310	1,079,446	-
Interest on long-term debt	5,093	-	-	-
Total governmental activities	<u>\$ 3,419,377</u>	<u>\$ 162,431</u>	<u>\$ 1,644,847</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 833,944	\$ 148,877	\$ 551,160	\$ 75,600
Sewer	3,606,530	3,416,709	389,918	81,880
Total business-type activities	<u>\$ 4,440,474</u>	<u>\$ 3,565,586</u>	<u>\$ 941,078</u>	<u>\$ 157,480</u>
Total primary government	<u>\$ 7,859,851</u>	<u>\$ 3,728,017</u>	<u>\$ 2,585,925</u>	<u>\$ 157,480</u>
COMPONENT UNIT:				
Industrial Development Authority	\$ 44	\$ -	\$ -	\$ -

General revenues:

- General property taxes
- Other local taxes:
 - Local sales and use tax
 - Consumers' utility tax
 - Business licenses tax
 - Restaurant food tax
 - Cigarette Tax
 - Transient Occupancy tax
 - Bank stock tax
 - Other local taxes
- Unrestricted revenues from use of money
- Gain on sale of assets
- Miscellaneous
- Grants and contributions not restricted to specific programs
- Total general revenues
- Change in net position
- Net position - beginning, as restated
- Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (604,535)	\$ -	\$ (604,535)	\$ -
(676,636)	-	(676,636)	-
(312,956)	-	(312,956)	-
(16,000)	-	(16,000)	-
(226,329)	-	(226,329)	-
229,450	-	229,450	-
(5,093)	-	(5,093)	-
<u>\$ (1,612,099)</u>	<u>\$ -</u>	<u>\$ (1,612,099)</u>	<u>\$ -</u>
\$ -	\$ (58,307)	\$ (58,307)	\$ -
-	281,977	281,977	-
<u>\$ -</u>	<u>\$ 223,670</u>	<u>\$ 223,670</u>	<u>\$ -</u>
<u>\$ (1,612,099)</u>	<u>\$ 223,670</u>	<u>\$ (1,388,429)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44)</u>
\$ 383,409	\$ -	\$ 383,409	\$ -
283,703	-	283,703	-
74,075	-	74,075	-
101,369	-	101,369	-
264,210	-	264,210	-
87,005	-	87,005	-
4,332	-	4,332	-
89,625	-	89,625	-
76,504	-	76,504	-
16,699	14,814	31,513	-
-	21,777	21,777	-
12,994	2,776	15,770	-
70,779	-	70,779	-
<u>\$ 1,464,704</u>	<u>\$ 39,367</u>	<u>\$ 1,504,071</u>	<u>\$ -</u>
<u>\$ (147,395)</u>	<u>\$ 263,037</u>	<u>\$ 115,642</u>	<u>\$ (44)</u>
6,435,022	12,299,153	18,734,175	70,048
<u>\$ 6,287,627</u>	<u>\$ 12,562,190</u>	<u>\$ 18,849,817</u>	<u>\$ 70,004</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
 Governmental Funds
 June 30, 2022

	General Fund
ASSETS	
Cash and cash equivalents	\$ 82,193
Receivables (net of allowance for uncollectibles):	
Taxes receivable	311,658
Accounts receivable	71,559
Due from other governmental units	55,700
Inventories	6,534
Total assets	<u>\$ 527,644</u>
LIABILITIES	
Accounts payable	\$ 373,823
Accrued liabilities	43,799
Retainage payable	48,850
Due to component unit	561,301
Unearned revenue	43,097
Total liabilities	<u>\$ 1,070,870</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 293,678
Total deferred inflows of resources	<u>\$ 293,678</u>
FUND BALANCES	
Nonspendable:	
Inventory	\$ 6,534
Unassigned (deficit)	(843,438)
Total fund balance (deficit)	<u>\$ (836,904)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 527,644</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	(836,904)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	903,191	
Buildings and improvements		964,115	
Park and improvements		1,658,380	
Machinery and equipment		316,560	
Infrastructure		2,460,284	
Construction in progress		<u>1,238,670</u>	
			7,541,200

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue - property taxes	\$	<u>7,897</u>	7,897
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds

Pension related items	\$	182,760	
OPEB related items		<u>10,022</u>	
			192,782

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$	(151,203)	
Notes payable (LOC)		(50,000)	
Compensated absences		(48,612)	
Net pension liability		(71,693)	
Net OPEB liabilities		<u>(30,876)</u>	
			(352,384)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(253,136)	
OPEB related items		<u>(11,828)</u>	
			<u>(264,964)</u>

Net position of governmental activities	\$	<u><u>6,287,627</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2022

	General Fund
REVENUES	
General property taxes	\$ 397,253
Other local taxes	980,823
Permits, privilege fees, and regulatory licenses	7,310
Fines and forfeitures	28,808
Revenue from the use of money and property	16,699
Charges for services	126,313
Miscellaneous	12,994
Intergovernmental:	
Commonwealth	634,419
Federal	1,081,207
Total revenues	<u>\$ 3,285,826</u>
EXPENDITURES	
Current:	
General government administration	\$ 1,025,512
Public safety	795,162
Public works	689,306
Health and welfare	16,000
Parks, recreation, and cultural	1,325,816
Community development	871,566
Debt service:	
Principal retirement	22,926
Interest and other fiscal charges	5,475
Total expenditures	<u>\$ 4,751,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,465,937)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from line of credit	<u>\$ 50,000</u>
Total other financing sources (uses)	<u>\$ 50,000</u>
Net change in fund balances	\$ (1,415,937)
Fund balance-beginning, as restated	579,033
Fund balance (deficit)-ending	<u><u>\$ (836,904)</u></u>

The notes to the 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
Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds \$ (1,415,937)

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 depreciation exceeded the capital outlays in the current period.

Capital outlays	\$ 1,619,570	
Depreciation expense	<u>(325,250)</u>	1,294,320

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

Property taxes	\$ <u>(13,844)</u>	(13,844)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from note (LOC)	\$ (50,000)	
Principal repayments	22,926	
Accrued interest	<u>382</u>	(26,692)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (10,783)	
Pension expense	24,083	
OPEB expense	<u>1,458</u>	14,758

Change in net position of governmental activities	\$ <u><u>(147,395)</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds			
	Water	Sewer	RBEG	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 247,566	\$ 26,613	\$ 274,179
Accounts receivable, net of allowances for uncollectibles	-	99,897	-	99,897
Notes receivable-current portion	-	-	22,671	22,671
Due from other funds	-	516,498	-	516,498
Inventories	43,236	4,265	-	47,501
Leases receivable-current portion	28,638	-	-	28,638
Total current assets	\$ 71,874	\$ 868,226	\$ 49,284	\$ 989,384
Noncurrent assets:				
Restricted cash and cash equivalents	\$ 37,205	\$ -	\$ -	\$ 37,205
Leases receivable-net of current portion	623,655	-	-	623,655
Notes receivable-net of current portion	-	-	23,933	23,933
Capital assets:				
Land	63,841	79,556	-	143,397
Construction in progress	594,878	-	-	594,878
Utility plant in service	10,211,689	28,332,676	-	38,544,365
Equipment	319,519	1,738,864	-	2,058,383
Lease assets	117,696	-	-	117,696
Accumulated depreciation/amortization	(2,748,714)	(7,277,340)	-	(10,026,054)
Net capital assets	\$ 9,219,769	\$ 22,873,756	\$ 23,933	\$ 32,117,458
Total noncurrent assets	\$ 9,219,769	\$ 22,873,756	\$ 23,933	\$ 32,117,458
Total assets	\$ 9,291,643	\$ 23,741,982	\$ 73,217	\$ 33,106,842
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ -	\$ 1,237,426	\$ -	\$ 1,237,426
Pension related items	47,035	187,535	-	234,570
OPEB related items	1,826	8,560	-	10,386
Total deferred outflows of resources	\$ 48,861	\$ 1,433,521	\$ -	\$ 1,482,382
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 100,253	\$ 344,217	\$ -	\$ 444,470
Accrued liabilities	13,423	32,265	-	45,688
Customers' deposits	37,205	-	-	37,205
Connection fees payable	5,400	5,520	-	10,920
Accrued interest payable	46,601	85,522	-	132,123
Due to other funds	5,197	-	-	5,197
Unearned revenue	45,778	32,430	-	78,208
Compensated absences-current portion	3,051	8,075	-	11,126
Bonds payable-current portion	135,887	686,864	-	822,751
Lease liability-current portion	213	-	-	213
Total current liabilities	\$ 393,008	\$ 1,194,893	\$ -	\$ 1,587,901
Noncurrent liabilities:				
Bonds payable-net of current portion	\$ 5,101,280	\$ 14,128,198	\$ -	\$ 19,229,478
Lease liability-net of current portion	117,278	-	-	117,278
Compensated absences-net of current portion	9,154	24,226	-	33,380
Net OPEB liability	5,627	26,368	-	31,995
Net pension liability	13,066	61,225	-	74,291
Total noncurrent liabilities	\$ 5,246,405	\$ 14,240,017	\$ -	\$ 19,486,422
Total liabilities	\$ 5,639,413	\$ 15,434,910	\$ -	\$ 21,074,323
DEFERRED INFLOWS OF RESOURCES				
Lease related	\$ 633,466	\$ -	\$ -	\$ 633,466
Pension related items	88,941	218,045	-	306,986
OPEB related items	2,156	10,103	-	12,259
Total deferred inflows of resources	\$ 724,563	\$ 228,148	\$ -	\$ 952,711
NET POSITION				
Net investment in capital assets	\$ 3,865,111	\$ 9,296,120	\$ -	\$ 13,161,231
Unrestricted (deficit)	(888,583)	216,325	73,217	(599,041)
Total net position	\$ 2,976,528	\$ 9,512,445	\$ 73,217	\$ 12,562,190

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2022

	Enterprise Funds			
	Water	Sewer	RBEG	Total
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 108,652	\$ -	\$ -	\$ 108,652
Sewer revenues	-	76,867	-	76,867
Wastewater contracts	-	2,816,030	-	2,816,030
Sludge	-	523,812	-	523,812
Miscellaneous	2,776	-	-	2,776
Total operating revenues	\$ 111,428	\$ 3,416,709	\$ -	\$ 3,528,137
OPERATING EXPENSES				
Personnel services	\$ 175,114	\$ 623,123	\$ -	\$ 798,237
Fringe benefits	(2,123)	122,063	-	119,940
Payroll taxes	13,295	43,770	-	57,065
Chemicals	64,155	488,928	-	553,083
Supplies	3,904	4,995	-	8,899
Repairs and maintenance	137,306	406,447	-	543,753
Insurance	15,264	15,791	-	31,055
Utilities and fuel	59,743	434,864	-	494,607
Other	4,208	11,888	-	16,096
Water purchases (Co-op)	15,430	-	-	15,430
Lab testing	-	128,170	-	128,170
Sludge removal	-	276,089	-	276,089
Amortization land lease	1,520	-	-	1,520
Depreciation	200,731	675,102	-	875,833
Total operating expenses	\$ 688,547	\$ 3,231,230	\$ -	\$ 3,919,777
Operating income (loss)	\$ (577,119)	\$ 185,479	\$ -	\$ (391,640)
NONOPERATING REVENUES (EXPENSES)				
American Rescue Plan Act	\$ 551,160	\$ 389,918	\$ -	\$ 941,078
Lease revenue	40,225	-	-	40,225
Interest earnings	25,688	1,040	80	26,808
Unrealized loss on investments	-	(11,994)	-	(11,994)
Gain on sale of assets	-	21,777	-	21,777
Interest expense	(145,397)	(375,300)	-	(520,697)
Total nonoperating revenues (expenses)	\$ 471,676	\$ 25,441	\$ 80	\$ 497,197
Income (loss) before contributions	\$ (105,443)	\$ 210,920	\$ 80	\$ 105,557
Capital contributions and construction grants	75,600	81,880	-	157,480
Change in net position	\$ (29,843)	\$ 292,800	\$ 80	\$ 263,037
Total net position - beginning, as restated	3,006,371	9,219,645	73,137	12,299,153
Total net position - ending	\$ 2,976,528	\$ 9,512,445	\$ 73,217	\$ 12,562,190

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Enterprise Funds			
	Water	Sewer	RBEG	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 360,332	\$ 2,850,272	\$ -	\$ 3,210,604
Payments to suppliers	(307,353)	(1,527,321)	-	(1,834,674)
Payments to employees	(212,575)	(827,170)	-	(1,039,745)
Net cash provided by (used for) operating activities	<u>\$ (159,596)</u>	<u>\$ 495,781</u>	<u>\$ -</u>	<u>\$ 336,185</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal payments received on notes	\$ -	\$ -	\$ 19,217	\$ 19,217
Notes issued	-	-	(30,000)	(30,000)
American Rescue Plan Act	551,160	389,918	-	941,078
Lease income	21,612	-	-	21,612
Interest income	25,474	-	-	25,474
Net cash provided by (used for) noncapital financing activities	<u>\$ 598,246</u>	<u>\$ 389,918</u>	<u>\$ (10,783)</u>	<u>\$ 977,381</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset additions	\$ (526,695)	\$ (474,657)	\$ -	\$ (1,001,352)
Proceeds from sale of capital assets	-	21,777	-	21,777
Principal payments on bonds	(133,353)	(674,372)	-	(807,725)
Lease payments	(204)	-	-	(204)
Capital contributions	75,600	81,880	-	157,480
Interest expense	(146,236)	(289,303)	-	(435,539)
Net cash provided by (used for) capital and related financing activities	<u>\$ (730,888)</u>	<u>\$ (1,334,675)</u>	<u>\$ -</u>	<u>\$ (2,065,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 214	\$ 1,040	\$ 80	\$ 1,334
Unrealized loss on investments	-	(11,994)	-	(11,994)
Net cash provided by (used for) investing activities	<u>\$ 214</u>	<u>\$ (10,954)</u>	<u>\$ 80</u>	<u>\$ (10,660)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (292,024)</u>	<u>\$ (459,930)</u>	<u>\$ (10,703)</u>	<u>\$ (762,657)</u>
Cash and cash equivalents (including restricted)- beginning	<u>329,229</u>	<u>707,496</u>	<u>37,316</u>	<u>1,074,041</u>
Cash and cash equivalents (including restricted)- ending	<u><u>\$ 37,205</u></u>	<u><u>\$ 247,566</u></u>	<u><u>\$ 26,613</u></u>	<u><u>\$ 311,384</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	<u>\$ (577,119)</u>	<u>\$ 185,479</u>	<u>\$ -</u>	<u>\$ (391,640)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	\$ 202,251	\$ 675,102	\$ -	\$ 877,353
(Increase) decrease in accounts receivable	202,584	(26,649)	-	175,935
(Increase) decrease in due from other funds	-	(516,498)	-	(516,498)
(Increase) decrease in inventories	(260)	350	-	90
(Increase) decrease in deferred outflows of resources-pension	2,305	(38,672)	-	(36,367)
(Increase) decrease in deferred outflows of resources-OPEB	(65)	(308)	-	(373)
Increase (decrease) in customer deposits	(130)	-	-	(130)
Increase (decrease) in accounts payable	(7,083)	239,501	-	232,418
Increase (decrease) in due to other funds	5,197	-	-	5,197
Increase (decrease) in accrued liabilities	7,176	8,156	-	15,332
Increase (decrease) in connection fees payable	(2,700)	(7,360)	-	(10,060)
Increase (decrease) in unearned revenue	43,953	(15,930)	-	28,023
Increase (decrease) in deferred inflows of resources-pension	80,758	187,644	-	268,402
Increase (decrease) in deferred inflows of resources-OPEB	1,924	9,018	-	10,942
Increase (decrease) in net OPEB liabilities	(2,126)	(9,960)	-	(12,086)
Increase (decrease) in compensated absences	901	4,133	-	5,034
Increase (decrease) in net pension liability	(117,162)	(198,225)	-	(315,387)
Total adjustments	<u>\$ 417,523</u>	<u>\$ 310,302</u>	<u>\$ -</u>	<u>\$ 727,825</u>
Net cash provided by (used for) operating activities	<u><u>\$ (159,596)</u></u>	<u><u>\$ 495,781</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 336,185</u></u>
Schedule of non-cash capital, and financing activities:				
Purchase of equipment on account	<u>\$ 75,498</u>	<u>\$ 10,661</u>	<u>\$ -</u>	<u>\$ 86,159</u>

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

TOWN OF BROADWAY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial reporting entity

The Town is a municipality governed by an elected mayor and six-member Council, who are elected at large for staggered four-year terms. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Thus, blended component units are appropriately presented as funds of the Town. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

Blended component units – There were no blended component units for the Town for the year ended June 30, 2022.

Discretely presented component units – The Industrial Development Authority operates to promote economic development to businesses throughout the Town. The Town Council appoints the Board Members as well as provides significant funding to the Authority.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

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

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

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

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are earned and they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

The government reports the following major governmental fund:

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

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The government reports the following major proprietary funds:

The water and sewer funds account for the activities of the Town's water and sewer systems. These funds operate the wastewater treatment plants, sewage pumping stations and collection systems, the water treatment plant, and the water distribution system.

The RBEG fund accounts for the activities of administering the Town's Rural Business Enterprise Program.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's public utility fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utilities fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF BROADWAY, VIRGINIA

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

1. *Cash and cash equivalents*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. All certificates of deposit are considered to be cash and cash equivalents.

2. *Investments*

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

3. *Receivables and payables*

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

4. *Property taxes*

Property taxes are levied as of January 1 and attach as an enforceable lien on property as of January 1. All real and personal property is assessed by the County of Rockingham Commissioner of Revenue. General real property assessments occur every four years. The Town collects real and personal property taxes on an annual basis, due December 5. The Town bills and collects its own property taxes.

5. *Allowance for uncollectible accounts*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$16,182 at June 30, 2022 and is comprised solely of property taxes.

6. *Use of estimates*

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

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

As the Town constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Property, plant, and equipment and infrastructure of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	20-50
Utility system	20-50
Infrastructure	20-40
Machinery and equipment	3-10
Lease assets-Land	N/A

8. Compensated absences

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

9. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

10. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance – amounts that are either not in spendable form (i.e., inventory and prepaid assets) or are legally or contractually required to be maintained intact (i.e., corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

11. Fund balance (continued)

The Town establishes (and modifies or rescinds) fund balance commitments by formal action of the Town Council; the formal action required to commit fund balance is by resolution, prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation. The Town Council may also assign fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

12. Net position

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

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

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

13. Restricted Assets

Assets of the Town's water fund have been restricted for the payment of customer deposits in the amount of \$37,205.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

14. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding, the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2022 amounted to \$1,237,426. The other items are comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due December 5 attributable to the first half of 2022, is deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on this item, reference the related notes.

15. Pensions

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

16. Other Postemployment Benefits (OPEB)

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

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$117,695, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

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

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Adoption of Accounting Principle

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. This Statement is designed to improve accounting and financial reporting for leases by governments. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the lease:

Primary Government:

	Business-type Activities Water Fund
Lessee activity:	
Lease assets	\$ 117,695
Lease liabilities	\$ 117,695
Lessor activity:	
Lease receivable	\$ 678,802
Deferred inflows of resources- lease	\$ 678,802

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

1. The Town Council's control is exercised through the budgeting process. The budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The Town Council approves the budget after a public hearing.
2. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the function level within an individual fund. The Treasurer, with the approval of the Town Manager and department head(s), is authorized to transfer budgeted amounts between departments within the same fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
3. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
4. Appropriations lapse on June 30, for all Town funds, unless they are carried forward by a resolution of Town Council.

B. Excess of expenditures over appropriations

For the year ended June 30, 2022, public safety and community development had expenditures exceeding appropriations in the amount of \$7,162 and \$14,067, respectively.

TOWN OF BROADWAY, VIRGINIA

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

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (continued)

C. Deficit fund balance

At June 30, 2022, the general fund ended with a deficit fund balance of \$(836,904), due to anticipation of ARPA funding that was received in July 2022.

NOTE 3—FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

(If there has been a change in valuation technique that has a significant effect on the result (e.g., changing from an expected cash flow technique or the use of an additional valuation technique), document that specific change, and the reason(s) for making it.)

		Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investment type</u>	<u>6/30/22</u>			
Debt Securities:				
U.S. Agencies	\$ 14,865	\$ 14,865	\$ -	\$ -
Totals	\$ 14,865	\$ 14,865	\$ -	\$ -

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), Asian Development Bank, the African Development bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities:

The Town of Broadway, Virginia may invest any and all funds belonging to it or in its control in the following:

1. U.S. Treasury Bills, Notes, Bonds and other direct obligations of the United States Government.
2. Repurchase agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
3. Obligations of the Commonwealth of Virginia and of its local governments and public bodies, provided such obligations have a debt rating of at least "AA" or equivalent by Moody's and/or Standard & Poor's.
4. Obligations of Agencies of the Federal Government including but not limited to the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation. 50%
5. U.S. dollar denominated corporate notes or bonds with a rating in the "AAA" or "AA" categories by Moody's and Standard & Poor's at time of purchase. 25%
6. Local Government Investment Pools (LGIP), either administered by the Commonwealth of Virginia or through joint powers statutes and other intergovernmental agreement legislation, including the Commonwealth of Virginia LGIP and the VACO/VML Virginia Investment Pool Trust Fund (VIP). Investments in this class may comprise up to 100% of the Town's portfolio.
7. U.S. dollar denominated Commercial Paper issued by an entity incorporated in the U.S. and rated by at least A-1 by Standard & Poor's Corp. and P-1 by Moody's Investors Service. Not more than 35% of the total funds available for investment may be invested in commercial paper, and not more than 5% in the obligations of any one issuer.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities (Continued)

8. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.

Town's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	
Local Government Investment Pool	\$	2,544
Total	\$	2,544

Interest Rate Risk

The Town invests funds in low-risk investments backed by U.S. government agencies.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than
		1 Year
Local Government Investment Pool	\$ 2,544	\$ 2,544
Total	\$ 2,544	\$ 2,544

External Investment Pool

The fair value of the positions in the external investment pool is the same as the value of the pool shares. As the State Non-Arbitrage Pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. The State Non-Arbitrage Pool is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 4—RECEIVABLES:

Receivables as of June 30, 2022 for the Town's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sewer Fund	Total
Receivables:			
Property taxes	\$ 327,840	\$ -	\$ 327,840
Accounts	71,559	99,897	171,456
Gross receivables	\$ 399,399	\$ 99,897	\$ 499,296
Less: allowance for uncollectibles	(16,182)	-	(16,182)
Net receivables	\$ 383,217	\$ 99,897	\$ 483,114

During fiscal year 2022, Council approved a \$750 credit for each water, sewer and trash customer to be covered by ARPA funding received.

TOWN OF BROADWAY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 5—INTERFUND OBLIGATIONS:

	Due from Other Funds	Due to Other Funds	Due From Component Unit	Due To Component Unit
Primary Government:				
General Fund	\$ -	\$ 511,301	\$ -	\$ 50,000
Water Fund	-	5,197	-	-
Sewer Fund	516,498	-	-	-
Discretely Presented Component Unit:				
Industrial Development Authority	-	-	50,000	-
Total reporting entity	<u>\$ 516,498</u>	<u>\$ 516,498</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

NOTE 6—UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$121,305 is comprised of the following:

- A. ARPA Funding— Funds received from the American Rescue Plan Act (ARPA) of 2021 unspent at June 30, 2022 totaled \$121,305.

NOTE 7—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES:

Deferred and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide and fund financial statements totaling \$285,780 and \$293,678 respectively is comprised of the following:

- A. Unbilled Property Taxes – Property taxes for the first half of 2022 that had not been billed as of June 30, 2022 amounted to \$285,780.
- B. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$293,678 at June 30, 2022.

TOWN OF BROADWAY, VIRGINIA

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

NOTE 8—CAPITAL ASSETS:

The following is a summary of the capital assets activity for the fiscal year ended June 30, 2022:

Governmental Activities:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 903,191	\$ -	\$ -	\$ 903,191
Construction in progress	51,373	1,207,215	(19,918)	1,238,670
Total capital assets not being depreciated	\$ 954,564	\$ 1,207,215	\$ (19,918)	\$ 2,141,861
Capital assets being depreciated:				
Buildings and improvements	\$ 1,219,678	\$ 335,339	\$ (261,369)	\$ 1,293,648
Parks and improvements	2,199,493	15,018	261,369	2,475,880
Infrastructure	3,360,080	-	-	3,360,080
Machinery and equipment	907,000	81,916	-	988,916
Total depreciable capital assets	\$ 7,686,251	\$ 432,273	\$ -	\$ 8,118,524
Accumulated depreciation:				
Buildings and improvements	\$ (380,157)	\$ (7,966)	\$ 58,590	\$ (329,533)
Parks and improvements	(669,919)	(88,991)	(58,590)	(817,500)
Infrastructure	(754,600)	(145,196)	-	(899,796)
Machinery and equipment	(589,259)	(83,097)	-	(672,356)
Total accumulated depreciation	\$ (2,393,935)	\$ (325,250)	\$ -	\$ (2,719,185)
Total depreciable capital assets, net	\$ 5,292,316	\$ 107,023	\$ -	\$ 5,399,339
Capital assets, net	\$ 6,246,880	\$ 1,314,238	\$ (19,918)	\$ 7,541,200

Depreciation expense was allocated to the functions/programs as follows:

General government administration	\$ 28,480
Public safety	58,409
Public works	149,370
Parks and recreation	88,991
Total depreciation expense	\$ 325,250

TOWN OF BROADWAY, VIRGINIA

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

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2021	GASB 87 Implementation	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 143,397	\$ -	\$ -	\$ -	\$ 143,397
Construction in progress	-	-	594,878	-	594,878
Total capital assets not being depreciated	\$ 143,397	\$ -	\$ 594,878	\$ -	\$ 738,275
Capital assets being depreciated:					
Utility system	\$ 38,233,109	\$ -	\$ 311,256	\$ -	\$ 38,544,365
Machinery and equipment	1,905,006	-	181,377	(28,000)	2,058,383
Total depreciable capital assets	\$ 40,138,115	\$ -	\$ 492,633	\$ (28,000)	\$ 40,602,748
Accumulated depreciation:					
Utility system	\$ (7,974,056)	\$ -	\$ (764,900)	\$ -	\$ (8,738,956)
Machinery and equipment	(1,202,644)	-	(110,933)	28,000	(1,285,577)
Total accumulated depreciation	\$ (9,176,700)	\$ -	\$ (875,833)	\$ 28,000	\$ (10,024,533)
Total depreciable capital assets, net	\$ 30,961,415	\$ -	\$ (383,200)	\$ -	\$ 30,578,215
Lease assets:					
Land	\$ -	\$ 117,695	\$ -	\$ -	\$ 117,695
Accumulated amortization	\$ -	\$ -	\$ (1,520)	\$ -	\$ (1,520)
Net lease assets	\$ -	\$ 117,695	\$ (1,520)	\$ -	\$ 116,175
Capital assets, net	\$ 31,104,812	\$ 117,695	\$ (384,720)	\$ -	\$ 31,432,665

Depreciation expense was allocated to the funds as follows:

Water Fund	\$ 202,251
Sewer Fund	675,102
Total depreciation expense	\$ 877,353

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 9—LONG-TERM OBLIGATIONS:

The following is a summary of the long-term obligations of the Town for the year ended June 30, 2022:

	Balance Payable July 1, 2021	GASB 87 Imple- mentation	Issuances Increases	Retirements Decreases	Balance Payable June 30, 2022	Amount Due Within One Year
Primary Government:						
Governmental Activities:						
Direct borrowings and placements:						
General obligation bonds	\$ 174,129	\$ -	\$ -	\$ (22,926)	\$ 151,203	\$ 151,203
Notes payable	-	-	50,000	-	50,000	50,000
Total direct borrowings and placements	\$ 174,129	\$ -	\$ 50,000	\$ (22,926)	\$ 201,203	\$ 201,203
Other liabilities:						
Compensated absences	\$ 37,827	\$ -	\$ 41,046	\$ (30,261)	\$ 48,612	\$ 12,153
Net pension liability	326,590	-	306,005	(560,902)	71,693	-
Net OPEB liabilities	42,531	-	9,863	(21,518)	30,876	-
Total governmental activities	\$ 581,077	\$ -	\$ 406,914	\$ (635,607)	\$ 352,384	\$ 213,356
Business-type Activities:						
Direct borrowings and placements:						
General obligation bonds	\$ 20,859,954	\$ -	\$ -	\$ (807,725)	\$ 20,052,229	\$ 822,751
Total direct borrowings and placements	\$ 20,859,954	\$ -	\$ -	\$ (807,725)	\$ 20,052,229	\$ 822,751
Other liabilities:						
Lease liabilities	\$ -	\$ 117,695	\$ -	\$ (204)	\$ 117,491	\$ 213
Compensated absences	39,472	-	36,612	(31,578)	44,506	11,126
Net pension liability	389,678	-	331,967	(647,354)	74,291	-
Net OPEB liability	44,081	-	10,221	(22,307)	31,995	-
Total business-type activities	\$ 21,333,185	\$ 117,695	\$ 378,800	\$ (1,509,168)	\$ 20,320,512	\$ 834,090
Total primary government	\$ 21,914,262	\$ 117,695	\$ 785,714	\$ (2,144,775)	\$ 20,672,896	\$ 1,047,446

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

Governmental Activities

Long-term Obligations

Year Ending June 30,	Direct Borrowings and Placements		Other Liabilities		Total	
	General Obligation Bonds		Note Payable (LOC)			
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 151,203	\$ 4,435	\$ 50,000	\$ 2,375	\$ 201,203	\$ 6,810
Total	\$ 151,203	\$ 4,435	\$ 50,000	\$ 2,375	\$ 201,203	\$ 6,810

TOWN OF BROADWAY, VIRGINIA

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

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

For governmental and business-type activities, compensated absences, pension and OPEB liabilities are liquidated by the General and Water and Sewer Funds, respectively.

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

Year Ending June 30,	Business-type Activities Long-term Obligations					
	Direct Borrowings and Placements					
	General Obligation Bonds		Lease Liabilities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 822,751	\$ 414,666	\$ 213	\$ 4,787	\$ 822,964	\$ 419,453
2024	831,741	399,074	222	4,778	831,963	403,852
2025	851,213	382,382	231	4,769	851,444	387,151
2026	865,239	364,883	240	4,760	865,479	369,643
2027	884,757	351,968	250	4,750	885,007	356,718
2028-2032	4,658,090	1,535,575	1,412	23,588	4,659,502	1,559,163
2033-2037	5,041,235	1,093,362	1,724	23,276	5,042,959	1,116,638
2038-2042	4,388,653	500,474	2,106	22,894	4,390,759	523,368
2043-2047	1,213,333	160,639	2,571	22,429	1,215,904	183,068
2048-2052	495,219	17,735	3,139	21,861	498,358	39,596
2053-2057	-	-	3,833	21,167	3,833	21,167
2058-2062	-	-	4,680	20,320	4,680	20,320
2063-2067	-	-	5,714	19,286	5,714	19,286
2068-2072	-	-	6,977	18,023	6,977	18,023
2073-2077	-	-	8,519	16,481	8,519	16,481
2078-2082	-	-	10,401	14,599	10,401	14,599
2083-2087	-	-	12,700	12,300	12,700	12,300
2088-2092	-	-	15,506	9,494	15,506	9,494
2093-2097	-	-	18,933	6,067	18,933	6,067
2098-2103	-	-	18,120	1,881	18,120	1,881
Total	\$ 20,052,231	\$ 5,220,758	\$ 117,491	\$ 277,510	\$ 20,064,339	\$ 5,358,650

Governmental Activities:

Details of long-term obligations:

	Total Amount Due	Amount Due Within One Year
Direct Borrowings and Direct Placements:		
General Obligation Bonds:		
Series 2012A general obligation bonds issued June 1, 2012, payable in semi-annual installments through June 2023, with interest at 3.2%.	\$ 151,203	\$ 151,203
Note payable (LOC)	\$ 50,000	\$ 50,000
Compensated absences	\$ 48,612	\$ 12,153
Net pension liability	\$ 71,693	\$ -
Net OPEB liability	\$ 30,876	\$ -
Total governmental activities	\$ 352,384	\$ 213,356

TOWN OF BROADWAY, VIRGINIA

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

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations (continued):

Business-type Activities:

	Total Amount Due	Amount Due Within One Year
Direct Borrowings and Placements:		
General Obligation Bonds:		
Series 2015A, \$9,090,000 issued July 2015, payable in variable semi-annual installments through October 2025 at variable interest rates ranging from 2.65%-3.4327%. \$7,780,000 of this issue was refunded in 2020.	\$ 845,000	\$ 205,000
Series 2015A, \$7,936,570, issued July 2015, payable in variable semi-annual installments of \$234,484 through February 2037 at an interest rate of 1.4%.	6,290,062	381,864
Series 2018, \$5,564,599 bonds issued February 1, 2018 payable in semi-annual installments of \$274,795 through March 2049, with interest at 2.65%.	5,237,167	135,887
Series 2020, \$7,780,000 refunding bonds issued September 25, 2020 payable in variable semi-annual installments through October 2040, with variable interest rates.	7,680,000	100,000
Total general obligation bonds	\$ 20,052,229	\$ 822,751
Lease Liabilities:		
Noncancelable lease for spring water originating March 2003 and runs for a period of 99 years, with annual rent of \$5,000, interest at 4%	\$ 117,491	\$ 213
Compensated absences	\$ 44,506	\$ 11,126
Net pension liability	\$ 74,291	\$ -
Net OPEB liability	\$ 31,995	\$ -
Total Business-type Activities	\$ 20,320,512	\$ 834,090

NOTE 10—LEASES RECEIVABLE:

The Town leases two water tanks to cell service providers. The details of leases receivable are as follows:

Lease Description	Start Date	End Date	Payment Frequency	Discount Rate	Installment Amounts	Ending Balance	Amount Due Within One Year
Telecommunications equipment	2022	2027	Monthly	4%	\$ 1,200-2,513	\$ 122,203	\$ 24,186
Telecommunications equipment	2022	2050	Monthly	4%	2,000-3,552	530,090	4,575
						\$ 652,293	\$ 28,761

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 11—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by 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.

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 11—PENSION PLAN: (CONTINUED)

Benefit Structures (continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 11—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	9
Inactive members:	
Vested inactive members	2
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	11
Active members	<u>20</u>
Total covered employees	<u><u>40</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2022, was 12.24% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020.

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 \$144,759 and \$134,466 for the years ended June 30, 2022, and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality rates:

- All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related
- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

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

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

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

TOWN OF BROADWAY, VIRGINIA

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

NOTE 11—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

TOWN OF BROADWAY, VIRGINIA

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

NOTE 11—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 4,114,800	\$ 3,398,532	\$ 716,268
Changes for the year:			
Service cost	\$ 152,507	\$ -	\$ 152,507
Interest	270,163	-	270,163
Changes of assumptions	146,900	-	146,900
Differences between expected and actual experience	(23,645)	-	(23,645)
Contributions - employer	-	134,466	(134,466)
Contributions - employee	-	54,535	(54,535)
Net investment income	-	929,400	(929,400)
Benefit payments, including refunds of employee contributions	(224,782)	(224,782)	-
Administrative expenses	-	(2,280)	2,280
Other changes	-	88	(88)
Net changes	\$ 321,143	\$ 891,427	\$ (570,284)
Balances at June 30, 2021	\$ 4,435,943	\$ 4,289,959	\$ 145,984

TOWN OF BROADWAY, VIRGINIA

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

NOTE 11—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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town Net Pension Liability	\$ 762,138	\$ 145,984	\$ (358,986)

For the year ended June 30, 2022, the Town recognized pension expense of \$37,323. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,344	\$ 47,257
Change in assumptions	159,635	-
Net difference between projected and actual earnings on pension plan investments	-	463,273
Change in proportionate share	49,592	49,592
Employer contributions subsequent to the measurement date	144,759	-
Total	\$ 417,330	\$ 560,122

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 11—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$144,759 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>		
2023	\$	(59,486)
2024		(35,321)
2025		(62,662)
2026		(130,082)
2027		-
Thereafter		-

Pension Plan Data

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

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Plan Description (continued)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI 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 GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan 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 GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 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 GLI Plan from the entity were \$6,447 and \$5,295 for the years ended June 30, 2022 and June 30, 2021, respectively.

TOWN OF BROADWAY, VIRGINIA

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

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

At June 30, 2022, the entity reported a liability of \$62,871 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.0054% as compared to 0.0052% at June 30, 2020.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$3,536. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, 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	\$ 7,171	\$ 479
Net difference between projected and actual earnings on GLI OPEB plan investments	-	15,006
Change in assumptions	3,466	8,602
Changes in proportionate share	3,324	-
Employer contributions subsequent to the measurement date	6,447	-
Total	\$ 20,408	\$ 24,087

\$6,447 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2023	\$ (2,137)
2024	(1,684)
2025	(1,857)
2026	(4,092)
2027	(356)
Thereafter	-

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

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

Inflation	2.5%
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

Mortality Rates- Non- Largest Ten Locality Employers- General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except change in the discount rate, which was based on VRS Board action effective 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 Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF BROADWAY, VIRGINIA

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

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

TOWN OF BROADWAY, VIRGINIA

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

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	<u>2,413,074</u>
GLI Net OPEB Liability (Asset)	<u><u>\$ 1,164,272</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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.

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TOWN OF BROADWAY, VIRGINIA

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

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	57.00%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategy	6.00%	3.29%	0.20%
PIP - Private Investment Partners	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

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

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 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:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan				
Net OPEB Liability	\$	91,586	\$ 62,871	\$ 39,463

GLI Program Fiduciary Net Position

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

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 13—MAJOR CUSTOMERS:

The Town has two major wastewater customers, Pilgrims Pride Corporation and the Town of New Market, Virginia. For the purposes of this report, major customers are defined as customers with revenue greater than ten percent (10%) of the total revenue in a fund. For the year ended June 30, 2022, sewer revenues from Pilgrims Pride Corporation and the Town of New Market, Virginia, were \$2,372,723 and \$423,241, respectively. Accounts receivable from Pilgrims Pride Corporation and the Town of New Market, Virginia at June 30, 2022 were \$51,819 and \$35,514, respectively.

NOTE 14—TRANSACTIONS WITH RELATED PARTIES:

Chad L. Comer, Councilman during the period July 1, 2021 to June 30, 2022, is owner of Blue Ribbon Nursery. During the period, the Town spent \$6,713 at the business for mulch, decorations, and landscaping.

NOTE 15—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers' compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

The Town pays Virginia Risk Sharing Association (VRSA) contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

The Town is a member of the VMLIP for workers' compensation. This program provides claims management and risk management services.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays VMLIP contributions and assessments based upon classification and rates into a designated cash reserve fund out of which claims, refunds, and expenses of the Association are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 16—CONTINGENT LIABILITIES:

The Town receives grant funds, principally from the federal government, for construction and various other programs. Certain expenditures of these funds are subject to audit by the grantor, and the Town is contingently liable to refund amounts in excess of allowable expenditures. In the opinion of the Town management, no material refunds will be required as a result of expenditures disallowed by grantors.

The Town is responsible for the refunding of arbitrage interest incurred on the unexpended proceeds of certain bond issues. The amount of this arbitrage, if any, is estimated to be immaterial.

NOTE 17—LITIGATION:

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

NOTE 18—SUBSEQUENT EVENTS:

ARPA Funding

In July of 2022, the Town received its share of the second half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. The amount received in July 2022 totaled \$2,063,621.

NOTE 19—RESTATEMENT OF BEGINNING BALANCES:

The beginning fund balance and net position were restated at July 1, 2021 to record accounts receivable for local sales tax and record accrued payroll as follows:

	Governmental Activities		Business-Type Activities	
	General Fund		Water Fund	Sewer Fund
	Fund Balance	Net Position	Net Position	Net Position
Balance at July 1, 2021 as originally reported	\$ 553,654	\$ 6,409,643	\$ 3,010,745	\$ 9,236,622
Adjustment to record prior year accrued local sales tax	52,782	52,782	-	-
Adjustment to record prior year accrued payroll	(27,403)	(27,403)	(4,374)	(16,977)
Balance at July 1, 2021 as restated	\$ <u>579,033</u>	\$ <u>6,435,022</u>	\$ <u>3,006,371</u>	\$ <u>9,219,645</u>

In addition, the presentation of the Industrial Development Authority (IDA) was modified for a fiduciary activity to a discretely presented component unit due to the Town's financial accountability for the IDA.

TOWN OF BROADWAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 (CONTINUED)

NOTE 20—CONSTRUCTION COMMITMENTS:

The Town had one active construction project as of June 30, 2022. The projects consist of pool house renovations. At year end the Town's commitment with the contractors are as follows:

	Original Contract Amount	Amount Spent to Date	Amount of Contract Remaining at Year End
Pool House Renovation	\$ 1,014,512	\$ 928,142	\$ 86,370
Total	<u>\$ 1,014,512</u>	<u>\$ 928,142</u>	<u>\$ 86,370</u>

NOTE 21—UPCOMING PRONOUNCEMENTS:

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 31, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 356,300	\$ 356,300	\$ 397,253	\$ 40,953
Other local taxes	807,000	807,000	980,823	173,823
Permits, privilege fees, and regulatory licenses	7,000	7,000	7,310	310
Fines and forfeitures	14,000	14,000	28,808	14,808
Revenue from the use of money and property	20,500	20,500	16,699	(3,801)
Charges for services	287,000	287,000	126,313	(160,687)
Miscellaneous	3,000	9,500	12,994	3,494
Intergovernmental:				
Commonwealth	607,500	607,500	634,419	26,919
Federal	2,000	2,065,621	1,081,207	(984,414)
Total revenues	<u>\$ 2,104,300</u>	<u>\$ 4,174,421</u>	<u>\$ 3,285,826</u>	<u>\$ (888,595)</u>
EXPENDITURES				
Current:				
General government administration	\$ 531,700	\$ 1,854,201	\$ 1,025,512	\$ 828,689
Public safety	653,000	788,000	795,162	(7,162)
Public works	830,500	830,500	689,306	141,194
Health and welfare	16,000	16,000	16,000	-
Parks, recreation, and cultural	182,300	1,462,300	1,325,816	136,484
Community development	30,000	857,499	871,566	(14,067)
Debt service:				
Principal retirement	21,000	21,000	22,926	(1,926)
Interest and other fiscal charges	7,400	7,400	5,475	1,925
Total expenditures	<u>\$ 2,271,900</u>	<u>\$ 5,836,900</u>	<u>\$ 4,751,763</u>	<u>\$ 1,085,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (167,600)</u>	<u>\$ (1,662,479)</u>	<u>\$ (1,465,937)</u>	<u>\$ 196,542</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from line of credit	\$ -	\$ -	\$ 50,000	\$ 50,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Change in fund balance	\$ (167,600)	\$ (1,662,479)	\$ (1,415,937)	\$ 246,542
Fund balance, beginning of year, as restated	-	642,499	579,033	(63,466)
Fund balance, end of year	<u>\$ (167,600)</u>	<u>\$ (1,019,980)</u>	<u>\$ (836,904)</u>	<u>\$ 183,076</u>

Schedule of Changes in Net Pension Liability and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2020 through June 30, 2021

	2021	2020
Total pension liability		
Service cost	\$ 152,507	\$ 146,703
Interest	270,163	250,751
Changes of assumptions	146,900	-
Differences between expected and actual experience	(23,645)	80,063
Benefit payments, including refunds of employee contributions	(224,782)	(155,081)
Net change in total pension liability	\$ 321,143	\$ 322,436
Total pension liability - beginning	4,114,800	3,792,364
Total pension liability - ending (a)	<u>\$ 4,435,943</u>	<u>\$ 4,114,800</u>
Plan fiduciary net position		
Contributions - employer	\$ 134,466	\$ 116,902
Contributions - employee	54,535	52,602
Net investment income	929,400	63,726
Benefit payments, including refunds of employee contributions	(224,782)	(155,081)
Administrative expense	(2,280)	(2,105)
Other	88	(77)
Net change in plan fiduciary net position	\$ 891,427	\$ 75,967
Plan fiduciary net position - beginning	3,398,532	3,322,565
Plan fiduciary net position - ending (b)	<u>\$ 4,289,959</u>	<u>\$ 3,398,532</u>
Town's net pension liability - ending (a) - (b)	\$ 145,984	\$ 716,268
Plan fiduciary net position as a percentage of the total pension liability	96.71%	82.59%
Covered payroll	\$ 1,114,515	\$ 1,068,923
Town's net pension liability as a percentage of covered payroll	13.10%	67.01%

Schedule is intended to show information for 10 years. Information prior to the 2021 valuation was not presented. However, additional years will be included as they become available.

Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2020 through June 30, 2022

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1) *	Contractually Required Contribution (2) *	Contribution Deficiency (Excess) (3)		
2022	\$ 144,759	\$ 144,759	\$ -	\$ 1,193,869	12.13%
2021	134,466	134,466	-	1,114,515	12.06%
2020	116,978	116,978		1,068,923	10.94%

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

Schedule is intended to show information for 10 years. Information prior to 2020 was not presented. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2022

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

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

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

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

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

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

Schedule of Town's Share of Net OPEB Liability

Group Life Insurance Plan

For the Measurement Dates of June 30, 2020 Through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.00540% \$	62,871 \$	1,114,515	5.64%	67.45%
2020	0.00520%	86,612	1,068,923	8.10%	52.64%

Schedule is intended to show information for 10 years. Information prior to the 2021 valuation was not presented. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance Plan

For the Years Ended June 30, 2020 through June 30, 2022

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2022	\$ 6,447	\$ 6,447	\$ -	\$ 1,193,869	0.54%
2021	5,295	5,295	-	1,114,515	0.48%
2020	5,558	5,558	-	1,068,923	0.52%

Schedule is intended to show information for 10 years. Information prior to 2020 was not presented. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Group Life Insurance Plan
For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

**DISCRETELY PRESENTED COMPONENT UNIT -
INDUSTRIAL DEVELOPMENT AUTHORITY**

Balance Sheet

Discretely Presented Component Unit-Industrial Development Authority

June 30, 2022

ASSETS

Cash and cash equivalents	\$	20,004
Due from the Primary Government		<u>50,000</u>
Total assets	\$	<u>70,004</u>

FUND BALANCE

Unassigned	\$	<u><u>70,004</u></u>
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Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund-Industrial Development Authority
For the Year Ended June 30, 2022

Expenditures:

Community development	\$ <u>44</u>
Total expenditures	\$ <u>44</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (44)
Fund balance beginning	<u>70,048</u>
Fund balance ending	\$ <u><u>70,004</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2022

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 201,000	\$ 201,000	\$ 206,757	\$ 5,757
Real and personal public service corporation taxes	3,800	3,800	3,587	(213)
Personal property taxes	147,000	147,000	181,749	34,749
Penalties and interest	4,500	4,500	5,160	660
Total general property taxes	<u>\$ 356,300</u>	<u>\$ 356,300</u>	<u>\$ 397,253</u>	<u>\$ 40,953</u>
Other local taxes:				
Local sales and use taxes	\$ 240,000	\$ 240,000	\$ 283,703	\$ 43,703
Consumers' utility taxes	70,000	70,000	74,075	4,075
Business license taxes	82,000	82,000	101,369	19,369
Motor vehicle licenses	74,000	74,000	76,504	2,504
Bank stock taxes	105,000	105,000	89,625	(15,375)
Transient occupancy tax	-	-	4,332	4,332
Meals tax	182,000	182,000	264,210	82,210
Cigarette tax	54,000	54,000	87,005	33,005
Total other local taxes	<u>\$ 807,000</u>	<u>\$ 807,000</u>	<u>\$ 980,823</u>	<u>\$ 173,823</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 7,000	\$ 7,000	\$ 7,310	\$ 310
Total permits, privilege fees, and regulatory licenses	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 7,310</u>	<u>\$ 310</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 14,000	\$ 14,000	\$ 28,808	\$ 14,808
Total fines and forfeitures	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 28,808</u>	<u>\$ 14,808</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 6,500	\$ 6,500	\$ 699	\$ (5,801)
Revenue from use of property	14,000	14,000	16,000	2,000
Total revenue from use of money and property	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 16,699</u>	<u>\$ (3,801)</u>
Charges for services:				
Trash fees	\$ 228,000	\$ 228,000	\$ 39,998	\$ (188,002)
Charges for recreation	59,000	59,000	86,315	27,315
Total charges for services	<u>\$ 287,000</u>	<u>\$ 287,000</u>	<u>\$ 126,313</u>	<u>\$ (160,687)</u>
Miscellaneous:				
Miscellaneous	\$ 2,000	\$ 9,500	\$ 12,994	\$ 3,494
Sale of equipment	1,000	-	-	-
Total miscellaneous	<u>\$ 3,000</u>	<u>\$ 9,500</u>	<u>\$ 12,994</u>	<u>\$ 3,494</u>
Total revenue from local sources	<u>\$ 1,494,800</u>	<u>\$ 1,501,300</u>	<u>\$ 1,570,200</u>	<u>\$ 68,900</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2022 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 3,000	\$ 3,000	\$ 2,787	\$ (213)
Communications tax	42,000	42,000	34,086	(7,914)
Mobile home titling tax	-	-	684	684
Personal property tax relief funds	-	-	33,222	33,222
Total noncategorical aid	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 70,779</u>	<u>\$ 25,779</u>
Categorical aid:				
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 4,500	\$ 4,500	\$ -	\$ (4,500)
Aid to localities with police departments	64,000	64,000	65,388	1,388
Department of fire programs funds	13,000	13,000	15,000	2,000
Street and highway maintenance funds	481,000	481,000	483,252	2,252
Total other categorical aid	<u>\$ 562,500</u>	<u>\$ 562,500</u>	<u>\$ 563,640</u>	<u>\$ 1,140</u>
Total categorical aid	<u>\$ 562,500</u>	<u>\$ 562,500</u>	<u>\$ 563,640</u>	<u>\$ 1,140</u>
Total revenue from the Commonwealth	<u>\$ 607,500</u>	<u>\$ 607,500</u>	<u>\$ 634,419</u>	<u>\$ 26,919</u>
Revenue from the federal government:				
Noncategorical aid:				
American Rescue Plan Act	\$ -	\$ 2,063,621	\$ 1,079,446	\$ (984,175)
Total noncategorical aid	<u>\$ -</u>	<u>\$ 2,063,621</u>	<u>\$ 1,079,446</u>	<u>\$ (984,175)</u>
Categorical aid:				
DMV - ground transportation	\$ 2,000	\$ 2,000	\$ 1,761	\$ (239)
Total categorical aid	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,761</u>	<u>\$ (239)</u>
Total revenue from the federal government	<u>\$ 2,000</u>	<u>\$ 2,065,621</u>	<u>\$ 1,081,207</u>	<u>\$ (984,414)</u>
Total General Fund	<u>\$ 2,104,300</u>	<u>\$ 4,174,421</u>	<u>\$ 3,285,826</u>	<u>\$ (888,595)</u>
Total Primary Government	<u>\$ 2,104,300</u>	<u>\$ 4,174,421</u>	<u>\$ 3,285,826</u>	<u>\$ (888,595)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2022

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 25,100	\$ 25,100	\$ 24,440	\$ 660
General and financial administration:				
Town manager and administration	\$ 506,600	\$ 1,829,101	\$ 1,001,072	\$ 828,029
Total general government administration	\$ 531,700	\$ 1,854,201	\$ 1,025,512	\$ 828,689
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 610,000	\$ 745,000	\$ 750,162	\$ (5,162)
Fire and rescue services:				
Contributions to fire and rescue services	\$ 43,000	\$ 43,000	\$ 45,000	\$ (2,000)
Total public safety	\$ 653,000	\$ 788,000	\$ 795,162	\$ (7,162)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 630,500	\$ 630,500	\$ 458,209	\$ 172,291
Sanitation and waste removal:				
Refuse collection and disposal	\$ 200,000	\$ 200,000	\$ 231,097	\$ (31,097)
Total public works	\$ 830,500	\$ 830,500	\$ 689,306	\$ 141,194
Health and welfare:				
Welfare:				
Plains Daycare	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Total health and welfare	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Parks, recreation, and cultural:				
Parks and recreation:	\$ 182,300	\$ 1,462,300	\$ 1,325,816	\$ 136,484
Total parks, recreation, and cultural	\$ 182,300	\$ 1,462,300	\$ 1,325,816	\$ 136,484
Community development:				
Planning and community development:				
Planning and development	\$ 20,000	\$ -	\$ 1,950	\$ (1,950)
Economic development	10,000	10,000	22,117	(12,117)
ARPA economic development	-	847,499	847,499	-
Total community development	\$ 30,000	\$ 857,499	\$ 871,566	\$ (14,067)
Debt service:				
Principal retirement	\$ 21,000	\$ 21,000	\$ 22,926	\$ (1,926)
Interest and other fiscal charges	7,400	7,400	5,475	1,925
Total debt service	\$ 28,400	\$ 28,400	\$ 28,401	\$ (1)
Total General Fund	\$ 2,271,900	\$ 5,836,900	\$ 4,751,763	\$ 1,085,137
Discretely Presented Component Unit -Industrial Development Authority				
Special revenue fund:				
Community Development:				
Economic development	\$ -	\$ -	\$ 44	\$ (44)
Total Industrial Development Fund	\$ -	\$ -	\$ 44	\$ (44)

Schedule of Revenues, Expenses, and Changes in Net Position-Budget and Actual
Water Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 615,000	\$ 615,000	\$ 108,652	\$ (506,348)
Miscellaneous	4,000	4,000	2,776	(1,224)
Total operating revenues	<u>\$ 619,000</u>	<u>\$ 619,000</u>	<u>\$ 111,428</u>	<u>\$ (507,572)</u>
OPERATING EXPENSES				
Personnel services	\$ 125,000	\$ 125,000	\$ 175,114	\$ 50,114
Fringe benefits	28,000	28,000	(2,123)	(30,123)
Payroll taxes	9,500	9,500	13,295	3,795
Chemicals	35,000	35,000	64,155	29,155
Supplies	3,000	3,000	3,904	904
Repairs and maintenance	117,000	117,000	137,306	20,306
Insurance	16,000	16,000	15,264	(736)
Utilities and fuel	54,000	54,000	59,743	5,743
Other	6,700	6,700	4,208	(2,492)
Water purchases (Co-op)	5,000	5,000	15,430	10,430
Amortization land lease	-	-	1,520	1,520
Depreciation	-	-	200,731	200,731
Total operating expenses	<u>\$ 399,200</u>	<u>\$ 399,200</u>	<u>\$ 688,547</u>	<u>\$ 289,347</u>
Operating income (loss)	<u>\$ 219,800</u>	<u>\$ 219,800</u>	<u>\$ (577,119)</u>	<u>\$ (796,919)</u>
NONOPERATING REVENUES (EXPENSES)				
Lease revenue	\$ 40,000	\$ 40,000	\$ 40,225	\$ 225
Interest earnings	3,500	3,500	25,688	22,188
American Rescue Plan Act	-	-	551,160	551,160
Capital expense	(200,000)	(500,000)	-	500,000
Interest expense	(146,000)	(146,000)	(145,397)	603
Principal payments	(129,000)	(129,000)	-	129,000
Total nonoperating revenues (expenses)	<u>\$ (431,500)</u>	<u>\$ (731,500)</u>	<u>\$ 471,676</u>	<u>\$ 1,203,176</u>
Income (loss) before contributions and transfers	<u>\$ (211,700)</u>	<u>\$ (511,700)</u>	<u>\$ (105,443)</u>	<u>\$ 406,257</u>
Capital contributions and construction grants	67,500	67,500	75,600	8,100
Transfers in	149,200	149,200	-	(149,200)
Change in net position	<u>\$ 5,000</u>	<u>\$ (295,000)</u>	<u>\$ (29,843)</u>	<u>\$ 265,157</u>
Total net position - beginning, as restated	<u>3,010,745</u>	<u>3,010,745</u>	<u>3,006,371</u>	<u>(4,374)</u>
Total net position - ending	<u>\$ 3,015,745</u>	<u>\$ 2,715,745</u>	<u>\$ 2,976,528</u>	<u>\$ 260,783</u>

Schedule of Revenues, Expenses, and Changes in Net Position-Budget and Actual
 Sewer Fund
 Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES				
Charges for services:				
Sewer revenues	\$ 412,000	\$ 412,000	\$ 76,867	\$ (335,133)
Wastewater contracts	2,730,000	2,730,000	2,816,030	86,030
Lab testing	75,500	75,500	-	(75,500)
Sludge	550,000	550,000	523,812	(26,188)
Miscellaneous	5,000	5,000	-	(5,000)
Total operating revenues	<u>\$ 3,772,500</u>	<u>\$ 3,772,500</u>	<u>\$ 3,806,627</u>	<u>\$ 34,127</u>
OPERATING EXPENSES				
Personnel services	\$ 535,000	\$ 535,000	\$ 623,123	\$ 88,123
Fringe benefits	160,000	160,000	122,063	(37,937)
Payroll taxes	41,000	41,000	43,770	2,770
Chemicals	350,000	350,000	488,928	138,928
Supplies	4,000	4,000	4,995	995
Repairs and maintenance	188,000	478,000	406,447	(71,553)
Insurance	16,000	16,000	15,791	(209)
Utilities and fuel	464,000	464,000	434,864	(29,136)
Other	5,500	15,500	11,888	(3,612)
Lab testing	100,000	100,000	128,170	28,170
Sludge removal	270,000	270,000	276,089	6,089
Depreciation	-	-	675,102	675,102
Total operating expenses	<u>\$ 2,133,500</u>	<u>\$ 2,433,500</u>	<u>\$ 3,231,230</u>	<u>\$ 797,730</u>
Operating income (loss)	<u>\$ 1,639,000</u>	<u>\$ 1,339,000</u>	<u>\$ 575,397</u>	<u>\$ (757,514)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	\$ 7,500	\$ 7,500	\$ 1,040	\$ (6,460)
Unrealized loss on investments	-	-	(11,994)	(11,994)
American Rescue Plan Act	-	-	389,918	389,918
Gain on sale of assets	-	-	21,777	21,777
Capital expense	(422,200)	(710,300)	-	710,300
Interest expense	(411,000)	(411,000)	(375,300)	35,700
Principal payments	(572,000)	(572,000)	-	572,000
Total nonoperating revenues (expenses)	<u>\$ (1,397,700)</u>	<u>\$ (1,685,800)</u>	<u>\$ 25,441</u>	<u>\$ 1,711,241</u>
Income (loss) before contributions and transfers	<u>\$ 241,300</u>	<u>\$ (346,800)</u>	<u>\$ 210,920</u>	<u>\$ 575,803</u>
Capital contributions and construction grants	69,000	69,000	81,880	12,880
Transfers out	(310,300)	(22,200)	-	22,200
Change in net position	<u>\$ -</u>	<u>\$ (300,000)</u>	<u>\$ 292,800</u>	<u>\$ 610,883</u>
Total net position - beginning, as restated	<u>\$ 9,236,622</u>	<u>\$ 9,236,622</u>	<u>\$ 9,219,645</u>	<u>\$ (16,977)</u>
Total net position - ending	<u>\$ 9,236,622</u>	<u>\$ 8,936,622</u>	<u>\$ 9,512,445</u>	<u>\$ 593,906</u>

COMPLIANCE



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

**THE HONORABLE MEMBERS OF THE TOWN COUNCIL
TOWN OF BROADWAY, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities and the discretely presented component unit of the Town of Broadway, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Broadway, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 - 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Town of Broadway Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Broadway's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of Broadway's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Robinson, Fanner, Cox Associates

Staunton, Virginia
December 15, 2022



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**TO THE HONORABLE MEMBERS
OF THE TOWN COUNCIL
TOWN OF BROADWAY, VIRGINIA**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Broadway Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Broadway, Virginia's major federal programs for the year ended June 30, 2022. Town of Broadway, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Broadway Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Broadway, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Broadway, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Broadway, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Broadway, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Broadway, Virginia's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Broadway, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Broadway, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Broadway, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Fanner, Cox Associates

Staunton, Virginia
December 15, 2022

Town of Broadway, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
Alcohol Open Container Requirements	20.607	154AL 2021 51134 GRANT	\$ 1,761
Total Department of Transportation			\$ 1,761
Department of Treasury:			
Direct Payments:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not applicable	2,020,524
Total Department of Treasury			\$ 2,020,524
Total Expenditures of Federal Awards			\$ 2,022,285

Notes to Schedule of Expenditures of Federal Awards:

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Broadway, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Broadway, Virginia, it is not intended to and does not present the financial position, change in net position, or cash flows of the Town of Broadway, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Broadway, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through identifying numbers are presented where available.

NOTE C - SUBRECIPIENTS

No awards were passed through to subrecipients.

NOTE D - LOANS

The Town did not have any loans or loan guarantees which are subject to reporting requirements in the current year.

NOTE E - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal expenditures, revenues, and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

 Primary government:

 Governmental funds

 General fund

\$ 1,081,207

 Enterprise funds

 Water fund

551,160

 Sewer fund

389,918

 Total primary government

\$ 2,022,285

Total federal expenditures per the Schedule of Expenditures of
Federal awards

\$ 2,022,285

TOWN OF BROADWAY, VIRGINIA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a)? yes x no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

TOWN OF BROADWAY, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2022 (continued)

Section II-Financial Statement Findings

2022-001 Segregation of Duties

Criteria: Duties should be divided among more than one person in the functions of authorization, custody, record keeping and reconciliation. In a perfect system, no one person should handle more than one type of function.

Condition: There is a lack of segregation of duties among Town personnel.

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

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

Effect: The Town is exposed to increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented, or detected and corrected by management on a timely basis.

Recommendation: We recommend that management segregate employee duties as much as possible. We encourage the Town to mitigate risk by requiring independent review, reconciliation and approval of accounting functions by qualified members of management to the extent possible.

Views of Responsible Officials and Planned Corrective Actions: In the future, the Town plans to continue to segregate employee duties as much as possible. The Town Council and Officials also plan to continue to be actively involved in overseeing the Town's financial operations.

2022-002 Material Adjustments

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

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

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

TOWN OF BROADWAY, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2022 (continued)

Section II-Financial Statement Findings (Continued)

Effect: The Town's financial statements may be misstated without the assistance and expertise of a third party.

Recommendation: We recommend that management and staff obtain training to assist with reconciling certain accounts, maintaining depreciation schedules, and proposing journal entries or consider hiring a qualified consultant to assist with audit preparation.

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

2022-003 Financial Statement Presentation

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

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

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

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

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

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

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary of Prior Year Findings

The findings reported in the current year were also reported in the prior year.