



Financial Report
For The Year Ended June 30, 2021

**TOWN OF DRAKES BRANCH, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

TOWN OF DRAKES BRANCH, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

Denise Pridgen, Mayor

Phillip Jackson, Vice-Mayor
Noah Davis
James K. Gregory

Deborah T. Kennedy
Clarence Hamlett, Jr.
Peery Wells, Sr.

OFFICIALS

Mary Sands
N. Garrison Elder
Codey Brooks

Town Clerk
Town Attorney
Town Sergeant

TOWN OF DRAKES BRANCH, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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FINANCIAL REPORT
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Independent Auditors' Report

**To the Honorable Members of the Town Council
Town of Drakes Branch, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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 the Town of Drakes Branch, Virginia's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules 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 March 3, 2022, on our consideration of the Town of Drakes Branch, 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 Drakes Branch, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Drakes Branch, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates
Charlottesville, Virginia
March 3, 2022

Town of Drakes Branch, Virginia Management's Discussion and Analysis

As management of Town of Drakes Branch (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,881,002 (*net position*). Of this amount, \$612,951 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$127,485, of which the governmental activities accounted for a \$82,511 increase while business-type activities accounted for a \$44,974 increase.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$282,383, a decrease of \$3,266 in comparison with the prior year. \$282,383 of this fund balance is *available for spending* at the Town's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$282,383, 95% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Town may have used previously accumulated funds.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements (continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 9 through 11 of this report.

Fund financial statements

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains one governmental fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on exhibits 3 and 5 of this financial report.

The Town maintains one type of **Proprietary Fund**. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on exhibits 7 through 9 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 30 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* and *other supplementary information* concerning budgetary comparisons for the general fund. This information can be found on pages 31-35 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$3,881,002 at the close of the most recent fiscal year. A large portion of the Town's net position (\$3,227,195, 83% of total) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, infrastructure, furniture, equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Position:

Town of Drakes Branch, Virginia
Summary of Net Position
June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 545,896	\$ 294,008	\$ 373,995	\$ 369,725	\$ 919,891	\$ 663,733
Capital assets	467,104	376,583	3,414,312	3,391,242	3,881,416	3,767,825
Total assets	\$ 1,013,000	\$ 670,591	\$ 3,788,307	\$ 3,760,967	\$ 4,801,307	\$ 4,431,558
Water and sewer deposits payable	\$ -	\$ -	\$ 6,186	\$ 5,626	\$ 6,186	\$ 5,626
Unearned revenue	259,898	-	-	-	259,898	-
Other accounts payable	-	-	-	3,467	-	3,467
Long-term liabilities	-	-	654,221	668,948	654,221	668,948
Total liabilities	\$ 259,898	\$ -	\$ 660,407	\$ 678,041	\$ 920,305	\$ 678,041
Net position:						
Net investment in capital assets	\$ 467,104	\$ 376,583	\$ 2,760,091	\$ 2,722,293	\$ 3,227,195	\$ 3,098,876
Restricted	-	-	40,856	39,810	40,856	39,810
Unrestricted	285,998	294,008	326,953	320,823	612,951	614,831
Total net position	\$ 753,102	\$ 670,591	\$ 3,127,900	\$ 3,082,926	\$ 3,881,002	\$ 3,753,517

As noted previously, the Town's net position increased by \$127,485 during the current fiscal year.

Government-wide Financial Analysis (continued)

Governmental activities increased the Town’s net position by \$82,511. The following table summarizes the Town’s Changes in Net Position:

**Town of Drakes Branch, Virginia
Changes in Net Position
For the Years Ended June 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 341	\$ 1,379	\$ 264,397	\$ 272,758	\$ 264,738	\$ 274,137
Operating grants and contributions	117,247	23,889	89,516	812	206,763	24,701
General revenues:						
Property taxes	73,097	69,261	-	-	73,097	69,261
Other taxes	52,112	47,320	-	-	52,112	47,320
Unrestricted revenues from use of money and property	21,990	20,870	430	772	22,420	21,642
Miscellaneous	47,046	49,452	-	-	47,046	49,452
Grants and contributions not restricted to specific programs	879	1,172	-	-	879	1,172
Total revenues	\$ 312,712	\$ 213,343	\$ 354,343	\$ 274,342	\$ 667,055	\$ 487,685
Expenses:						
General government administration	\$ 64,466	\$ 55,297	-	-	\$ 64,466	\$ 55,297
Public safety	106,055	38,703	-	-	106,055	38,703
Public works	35,081	32,892	-	-	35,081	32,892
Parks, recreation, and cultural	1,610	90,036	-	-	1,610	90,036
Water and sewer	-	-	332,358	354,002	332,358	354,002
Total expenses	\$ 207,212	\$ 216,928	\$ 332,358	\$ 354,002	\$ 539,570	\$ 570,930
Increase (decrease) in net position before transfers	\$ 105,500	\$ (3,585)	\$ 21,985	\$ (79,660)	\$ 127,485	\$ (83,245)
Transfers	(22,989)	(45,239)	22,989	45,239	-	-
Increase (decrease) in net position	\$ 82,511	\$ (48,824)	\$ 44,974	\$ (34,421)	\$ 127,485	\$ (83,245)
Net position - beginning of year	670,591	719,415	3,082,926	3,117,347	3,753,517	3,836,762
Net position - end of year	<u>\$ 753,102</u>	<u>\$ 670,591</u>	<u>\$ 3,127,900</u>	<u>\$ 3,082,926</u>	<u>\$ 3,881,002</u>	<u>\$ 3,753,517</u>

Business-type activities increased the Town’s net position by \$44,974. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town’s business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund: The focus of the Town's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$282,383, a decrease of \$3,266 in comparison with the prior year. \$282,383 is reported as unassigned, which is available for spending at the Town's discretion.

At the end of the current fiscal year, unassigned fund balance as well as total fund balance of the General Fund was \$282,383. As a measure of the General Fund's liquidity, the unassigned fund balance represents 95% of total General Fund expenditures.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the proprietary funds was \$3,127,900, of which \$326,953 was unrestricted and available for use at the Town's discretion. The total increase in net position was \$44,974.

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$3,881,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, and furniture, equipment, and vehicles as well as construction in progress.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 6,523	\$ 6,523	\$ 31,091	\$ 31,091	\$ 37,614	\$ 37,614
Buildings and improvements	152,117	159,982	-	-	152,117	159,982
Infrastructure	79,946	90,754	3,120,125	3,234,151	3,200,071	3,324,905
Furniture, equipment, and vehicles	22,022	30,424	-	-	22,022	30,424
Construction in progress	206,496	88,900	263,096	126,000	469,592	214,900
Total	\$ 467,104	\$ 376,583	\$ 3,414,312	\$ 3,391,242	\$ 3,881,416	\$ 3,767,825

Additional information on the Town's capital assets can be found in note 4 on pages 27 and 28 of this report.

Long-term obligations: At the end of the current fiscal year, the Town had one outstanding bond in the amount of \$654,221. Additional information on the Town's long-term obligations can be found in note 6 on pages 29 and 30 of this report.

Economic Factors and Next Year's Budgets and Rates

The average unemployment rate for Charlotte County, the county surrounding Town of Drakes Branch, Virginia at June 30, 2021 was 4.6 percent, less than 7.1 percent as reported in the prior year. According to the 2010 U.S. Census, the population of Drakes Branch, Virginia was 530.

These factors were considered in preparing the Town's budget for the 2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mary Sands, Clerk, Town of Drakes Branch, P.O. Box 191, Drakes Branch, Virginia 23937.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 536,324	\$ 317,678	\$ 854,002
Receivables (net of allowance for uncollectibles):			
Taxes receivable	9,572	-	9,572
Accounts receivable	-	15,461	15,461
Restricted assets:			
Cash and cash equivalents	-	40,856	40,856
Capital assets (net of accumulated depreciation):			
Land	6,523	31,091	37,614
Buildings and improvements	152,117	-	152,117
Furniture, equipment, and vehicles	22,022	-	22,022
Infrastructure	79,946	3,120,125	3,200,071
Construction in progress	206,496	263,096	469,592
Total assets	\$ 1,013,000	\$ 3,788,307	\$ 4,801,307
LIABILITIES			
Water and sewer deposits payable	\$ -	\$ 6,186	\$ 6,186
Unearned revenues	259,898	-	259,898
Long-term liabilities:			
Due within one year	-	15,063	15,063
Due in more than one year	-	639,158	639,158
Total liabilities	\$ 259,898	\$ 660,407	\$ 920,305
NET POSITION			
Net investment in capital assets	\$ 467,104	\$ 2,760,091	\$ 3,227,195
Restricted for:			
Debt service	-	40,856	40,856
Unrestricted	285,998	326,953	612,951
Total net position	\$ 753,102	\$ 3,127,900	\$ 3,881,002

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

Statement of Activities
For the Year Ended June 30, 2021

<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	\$ 64,466	\$ -	\$ 88,346	\$ -
Public safety	106,055	341	27,869	-
Public works	35,081	-	-	-
Parks, recreation, and cultural	1,610	-	1,032	-
Total governmental activities	<u>\$ 207,212</u>	<u>\$ 341</u>	<u>\$ 117,247</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 332,358	\$ 264,397	\$ 89,516	\$ -
Total business-type activities	<u>\$ 332,358</u>	<u>\$ 264,397</u>	<u>\$ 89,516</u>	<u>\$ -</u>
Total primary government	<u>\$ 539,570</u>	<u>\$ 264,738</u>	<u>\$ 206,763</u>	<u>\$ -</u>

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

Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:			
Governmental activities:			
General government administration	\$ 23,880	\$ -	\$ 23,880
Public safety	(77,845)	-	(77,845)
Public works	(35,081)	-	(35,081)
Parks, recreation, and cultural	(578)	-	(578)
Total governmental activities	\$ (89,624)	\$ -	\$ (89,624)
Business-type activities:			
Water and sewer	\$ -	\$ 21,555	\$ 21,555
Total business-type activities	\$ -	\$ 21,555	\$ 21,555
Total primary government	\$ (89,624)	\$ 21,555	\$ (68,069)
General revenues and transfers:			
General property taxes	\$ 73,097	\$ -	\$ 73,097
Other local taxes:			
Local sales and use tax	17,839	-	17,839
Consumers' utility tax	9,744	-	9,744
Motor vehicle licenses	4,377	-	4,377
Bank stock taxes	18,709	-	18,709
Other local taxes	1,443	-	1,443
Unrestricted revenues from use of money and property	21,990	430	22,420
Miscellaneous	7,380	-	7,380
Miscellaneous - insurance recoveries	39,666	-	39,666
Grants and contributions not restricted to specific programs	879	-	879
Transfers	(22,989)	22,989	-
Total general revenues and transfers	\$ 172,135	\$ 23,419	\$ 195,554
Change in net position	\$ 82,511	\$ 44,974	\$ 127,485
Net position - beginning	670,591	3,082,926	3,753,517
Net position - ending	\$ 753,102	\$ 3,127,900	\$ 3,881,002

Basic Financial Statements

Fund Financial Statements

Balance Sheet
 Governmental Fund
 June 30, 2021

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 536,324
Receivables (net of allowance for uncollectibles):	
Taxes receivable	<u>9,572</u>
Total assets	<u>\$ 545,896</u>
LIABILITIES	
Unearned revenue	<u>\$ 259,898</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>\$ 3,615</u>
FUND BALANCES	
Unassigned	<u>\$ 282,383</u>
Total fund balances	<u>\$ 282,383</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 545,896</u>

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

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$ 282,383
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 1,017,917	
Less: accumulated depreciation	<u>(550,813)</u>	467,104

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>3,615</u>
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Net position of governmental activities		<u><u>\$ 753,102</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 Balance
 Governmental Fund
 For the Year Ended June 30, 2021

	<u>General</u>
REVENUES	
General property taxes	\$ 77,841
Other local taxes	52,112
Permits, privilege fees, and regulatory licenses	145
Fines and forfeitures	196
Revenue from the use of money and property	21,990
Miscellaneous	7,380
Recovered costs	39,666
Intergovernmental:	
Commonwealth	30,530
Federal	87,596
Total revenues	<u>\$ 317,456</u>
EXPENDITURES	
Current:	
General government administration	\$ 174,197
Public safety	99,979
Public works	21,947
Parks, recreation, and cultural	1,610
Total expenditures	<u>\$ 297,733</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 19,723</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>\$ (22,989)</u>
Total other financing sources (uses)	<u>\$ (22,989)</u>
Net change in fund balances	\$ (3,266)
Fund balance - beginning	<u>285,649</u>
Fund balance - ending	<u><u>\$ 282,383</u></u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental fund \$ (3,266)

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. Details supporting this adjustment are as follows:

Capital asset additions	\$ 117,596	
Depreciation expense	<u>(27,075)</u>	90,521

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (4,744)

Change in net position of governmental activities \$ 82,511

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

Statement of Net Position
 Proprietary Fund
 June 30, 2021

	<u>Enterprise Fund Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 317,678
Accounts receivable	15,461
Restricted assets:	
Cash and cash equivalents	<u>40,856</u>
Total current assets	<u>\$ 373,995</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	\$ 31,091
Construction in progress	263,096
Infrastructure	<u>3,120,125</u>
Total capital assets	<u>\$ 3,414,312</u>
Total noncurrent assets	<u>\$ 3,414,312</u>
Total assets	<u>\$ 3,788,307</u>
LIABILITIES	
Current liabilities:	
Water and sewer deposits payable	\$ 6,186
Bonds payable - current portion	<u>15,063</u>
Total current liabilities	<u>\$ 21,249</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	<u>\$ 639,158</u>
Total noncurrent liabilities	<u>\$ 639,158</u>
Total liabilities	<u>\$ 660,407</u>
NET POSITION	
Net investment in capital assets	\$ 2,760,091
Restricted for debt service	40,856
Unrestricted	<u>326,953</u>
Total net position	<u>\$ 3,127,900</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2021

	Enterprise Fund
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 116,541
Sewer revenues	59,069
Connection fees	3,650
Jail waste	78,720
Penalties	3,910
Other revenues	2,507
	<u>264,397</u>
Total operating revenues	\$ 264,397
OPERATING EXPENSES	
Salaries and fringe benefits	\$ 107,902
Telephone	2,062
Electricity - STP and PSTS	12,062
Electricity - wells	7,916
Inspections, fees, and permits	3,635
Fuel	3,720
Administrative expenses	2,708
Miscellaneous	16,214
Consulting and testing	11,099
Supplies and chemicals	17,827
Machine hire	11,989
Engineering expenses	6,297
Depreciation	114,026
	<u>317,457</u>
Total operating expenses	\$ 317,457
Operating income (loss)	\$ (53,060)
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 430
Revenue from the Commonwealth	89,516
Interest expense	(14,901)
	<u>75,045</u>
Total nonoperating revenues (expenses)	\$ 75,045
Income before transfers	\$ 21,985
Transfer from general fund	\$ 22,989
Change in net position	\$ 44,974
Net position - beginning	<u>3,082,926</u>
Net position - ending	<u><u>\$ 3,127,900</u></u>

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2021

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 268,276
Payments to suppliers	(98,996)
Payments to employees	(107,902)
Net cash provided by (used for) operating activities	<u>\$ 61,378</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 22,989
Net cash provided by (used for) noncapital financing activities	<u>\$ 22,989</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	\$ (137,096)
Grant revenue	89,516
Principal paid on capital debt	(14,727)
Interest paid on capital debt	(14,901)
Net cash provided by (used for) capital and related financing activities	<u>\$ (77,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 430
Net cash provided by (used for) investing activities	<u>\$ 430</u>
Net increase (decrease) in cash and cash equivalents	\$ 7,589
Cash and cash equivalents - beginning, includes restricted cash of \$39,810	<u>350,945</u>
Cash and cash equivalents - ending, includes restricted cash of \$40,856	<u><u>\$ 358,534</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (53,060)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 114,026
(Increase) decrease in accounts receivable	3,319
Increase (decrease) in accounts payable	(3,467)
Increase (decrease) in water and sewer deposits payable	560
Total adjustments	<u>\$ 114,438</u>
Net cash provided by (used for) operating activities	<u><u>\$ 61,378</u></u>

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

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity:

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Town of Drakes Branch, Virginia.

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements:

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit, if applicable. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense - 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.

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

B. Government-wide and Fund Financial Statements: (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The government has presented the original budget in addition to the final budget in comparison with actual results.

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

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

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

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

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

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

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

1. Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary Funds. The Governmental Fund measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The individual Governmental Funds are:

General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources 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 services, and interest income. The General Fund is considered a major fund for reporting purposes.

2. Proprietary Funds account for activities similar to those found in the private business sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Currently the Town's Water and Sewer Fund is accounted for as an enterprise fund.

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Enterprise Funds: (Continued)

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 Town's enterprise funds are charges to customers for sales and services. The enterprise fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting:

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

1. Prior to April 30, the Town Clerk submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

E. Cash and Cash Equivalents:

Cash and cash equivalents include amounts in demand deposits as well as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

F. Restricted Assets:

Proceeds from bonds issued for enterprise funds are classified as restricted assets on the Balance Sheet and Statement of Net Position because their use is limited to future capital outlay. These funds are maintained in a separate bank account under the care of a trustee.

G. Capital Assets:

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, infrastructure, vehicles, and equipment with an initial individual cost of more than \$5,000 (exceptions for donated assets) and an estimated useful life in excess of two years. 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not included in the capital assets of the government-wide statements or capitalized in the proprietary funds.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The Town had \$0 in capitalized interest for the year ended June 30, 2021.

Depreciation for capital assets is computed over the following useful lives using the straight line method.

<u>Assets</u>	<u>Years</u>
Buildings & Buildings improvements	40
Furniture, equipment, and vehicles	5-10
Infrastructure	40
Water lines	40-75

H. 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/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2021.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents as 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 only one type of item that qualifies

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

H. Deferred Outflows/Inflows of Resources: (Continued)

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 prior to June 30, and is deferred and recognized as an inflow of resources in the period that the amount becomes available. For more detailed information on these items, reference the related notes

I. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. 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 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.

J. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2021, the allowances amounted to \$0.

K. Property Taxes:

Real property is assessed by Charlotte County, Virginia at its value on July 1 and is payable annually on February 15th. Personal property taxes are assessed by Charlotte County, Virginia as of July 1 and are payable on February 15th. Taxes attach as an enforceable lien as of the date assessed. The Town bills and collects its own property taxes based on the assessed values provided by the County.

L. 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.

M. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

N. Net Position Flow Assumption:

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

O. Investments:

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

P. Fund Balance:

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize The Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper 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).

The Town does not have an investment policy or investments.

NOTE 3 - RECEIVABLES:

Receivables at June 30, 2021 consisted of the following:

Governmental Activities:

Local:

Taxes receivable	\$ 9,572
Total due from local sources	\$ 9,572
Total for Governmental Activities	\$ 9,572

Business-type Activities:

Local:

Water and sewer billings	\$ 15,461
Total due from local sources	\$ 15,461
Total for Business-type Activities	\$ 15,461

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 3 - RECEIVABLES: (CONTINUED)

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 22,989
Water and Sewer Fund	22,989	-
Total	<u>\$ 22,989</u>	<u>\$ 22,989</u>

NOTE 4 - CAPITAL ASSETS:

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

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,523	\$ -	\$ -	\$ 6,523
Construction in progress	88,900	117,596	-	206,496
Total capital assets not being depreciated	<u>\$ 95,423</u>	<u>\$ 117,596</u>	<u>\$ -</u>	<u>\$ 213,019</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 418,789	\$ -	\$ -	\$ 418,789
Furniture, equipment and vehicles	56,878	-	-	56,878
Infrastructure	329,231	-	-	329,231
Total capital assets being depreciated	<u>\$ 804,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,898</u>
Accumulated depreciation:				
Buildings and improvements	\$ (258,807)	\$ (7,865)	\$ -	\$ (266,672)
Furniture, equipment and vehicles	(26,454)	(8,402)	-	(34,856)
Infrastructure	(238,477)	(10,808)	-	(249,285)
Total accumulated depreciation	<u>\$ (523,738)</u>	<u>\$ (27,075)</u>	<u>\$ -</u>	<u>\$ (550,813)</u>
Total capital assets being depreciated, net	<u>\$ 281,160</u>	<u>\$ (27,075)</u>	<u>\$ -</u>	<u>\$ 254,085</u>
Net capital assets	<u>\$ 376,583</u>	<u>\$ 90,521</u>	<u>\$ -</u>	<u>\$ 467,104</u>

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 4 - CAPITAL ASSETS: (Continued)

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 31,091	\$ -	\$ -	\$ 31,091
Construction in progress	<u>126,000</u>	<u>137,096</u>	<u>-</u>	<u>263,096</u>
Total capital assets not being depreciated	<u>\$ 157,091</u>	<u>\$ 137,096</u>	<u>\$ -</u>	<u>\$ 294,187</u>
Capital assets being depreciated:				
Buildings and infrastructure	<u>\$ 4,927,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,927,545</u>
Total capital assets being depreciated	<u>\$ 4,927,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,927,545</u>
Accumulated depreciation:				
Buildings and infrastructure	<u>\$ (1,693,394)</u>	<u>\$ (114,026)</u>	<u>\$ -</u>	<u>\$ (1,807,420)</u>
Total accumulated depreciation	<u>\$ (1,693,394)</u>	<u>\$ (114,026)</u>	<u>\$ -</u>	<u>\$ (1,807,420)</u>
Total capital assets being depreciated, net	<u>\$ 3,234,151</u>	<u>\$ (114,026)</u>	<u>\$ -</u>	<u>\$ 3,120,125</u>
Net capital assets	<u>\$ 3,391,242</u>	<u>\$ 23,070</u>	<u>\$ -</u>	<u>\$ 3,414,312</u>

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

Governmental activities:	
General government administration	\$ 7,865
Public safety	6,076
Public works	<u>13,134</u>
Total depreciation expense-governmental activities	<u>\$ 27,075</u>
Business-type activities:	
Water and Sewer Fund	<u>\$ 114,026</u>
Total depreciation expense-business type-activities	<u>\$ 114,026</u>

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 5 - UNAVAILABLE REVENUE:

Unavailable 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. Unavailable revenue totaling \$3,615 is comprised of the following:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,615 at June 30, 2021.

NOTE 6 - LONG-TERM OBLIGATIONS:

Business-type Activities:

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

	<u>Balance Payable at July 1, 2020</u>	<u>Issuance</u>	<u>Retirement</u>	<u>Balance Payable at June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Direct Borrowing or Placement:					
Bonds payable	\$ 668,948	\$ -	\$ 14,727	\$ 654,221	\$ 15,063
Total	<u>\$ 668,948</u>	<u>\$ -</u>	<u>\$ 14,727</u>	<u>\$ 654,221</u>	<u>\$ 15,063</u>

Annual requirements to amortize the Town's enterprise indebtedness and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Direct Borrowings and Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 15,063	\$ 14,565
2023	15,405	14,223
2024	15,755	13,873
2025	16,114	13,514
2026	16,480	13,148
2027-2031	88,193	59,947
2032-2036	98,684	49,456
2037-2041	110,422	37,718
2042-2046	123,557	24,583
2047-2051	138,255	9,885
2052	16,293	115
Total	<u>\$ 654,221</u>	<u>\$ 251,027</u>

TOWN OF DRAKES BRANCH, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Details of the Town’s outstanding long-term indebtedness at June 30, 2021 are as follows:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$755,000 Series 2012 USDA General Obligation Water Bond payable in monthly installments of \$2,469 including interest of 2.25%, maturing December 15, 2051.	\$ 654,221	\$ 15,063
Total business-type obligations	<u>\$ 654,221</u>	<u>\$ 15,063</u>

NOTE 7 - LITIGATION:

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

NOTE 8 - COVID-19 PANDEMIC AND SUBSEQUENT EVENTS:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 30, 2021, the Town received its share of the first 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. Unspent funds in the amount of \$259,898 from the initial allocation are reported as unearned revenue as of June 30.

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
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 68,100	\$ 68,100	\$ 77,841	\$ 9,741
Other local taxes	51,000	51,000	52,112	1,112
Permits, privilege fees, and regulatory licenses	-	-	145	145
Fines and forfeitures	2,000	2,000	196	(1,804)
Revenue from the use of money and property	22,500	22,500	21,990	(510)
Miscellaneous	778	778	7,380	6,602
Recovered costs	-	-	39,666	39,666
Intergovernmental:				
Commonwealth	44,622	44,622	30,530	(14,092)
Federal	87,596	87,596	87,596	-
Total revenues	\$ 276,596	\$ 276,596	\$ 317,456	\$ 40,860
EXPENDITURES				
Current:				
General government administration	\$ 356,950	\$ 356,950	\$ 174,197	\$ 182,753
Public safety	137,296	137,296	99,979	37,317
Public works	30,050	30,050	21,947	8,103
Parks, recreation, and cultural	21,300	21,300	1,610	19,690
Total expenditures	\$ 545,596	\$ 545,596	\$ 297,733	\$ 247,863
Excess (deficiency) of revenues over (under) expenditures	\$ (269,000)	\$ (269,000)	\$ 19,723	\$ 288,723
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (22,989)	\$ (22,989)
Total other financing sources (uses)	\$ -	\$ -	\$ (22,989)	\$ (22,989)
Net change in fund balances	\$ (269,000)	\$ (269,000)	\$ (3,266)	\$ 265,734
Fund balances - beginning	269,000	269,000	285,649	16,649
Fund balances - ending	\$ -	\$ -	\$ 282,383	\$ 282,383

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2021

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	\$ 60,000	\$ 60,000	\$ 69,853	\$ 9,853
Personal property taxes	6,500	6,500	6,519	19
Merchant's capital taxes	500	500	485	(15)
Machinery and tools taxes	100	100	36	(64)
Penalties and interest	1,000	1,000	948	(52)
Total general property taxes	<u>\$ 68,100</u>	<u>\$ 68,100</u>	<u>\$ 77,841</u>	<u>\$ 9,741</u>
Other local taxes:				
Local sales and use taxes	\$ 15,000	\$ 15,000	\$ 17,839	\$ 2,839
Utility taxes	10,000	10,000	9,744	(256)
Consumption tax	1,500	1,500	1,443	(57)
Bank stock taxes	20,000	20,000	18,709	(1,291)
Motor vehicle licenses	4,500	4,500	4,377	(123)
Total other local taxes	<u>\$ 51,000</u>	<u>\$ 51,000</u>	<u>\$ 52,112</u>	<u>\$ 1,112</u>
Permits, privilege fees, and regulatory licenses:				
Permits, privilege fees, and regulatory licenses	\$ -	\$ -	\$ 145	\$ 145
Fines and forfeitures:				
Court fines and forfeitures	\$ 2,000	\$ 2,000	\$ 196	\$ (1,804)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 990	\$ (510)
Revenue from use of property	21,000	21,000	21,000	-
Total revenue from use of money and property	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 21,990</u>	<u>\$ (510)</u>
Miscellaneous:				
Miscellaneous	\$ 778	\$ 778	\$ 7,380	\$ 6,602
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 39,666	\$ 39,666
Total revenue from local sources	<u>\$ 144,378</u>	<u>\$ 144,378</u>	<u>\$ 199,330</u>	<u>\$ 54,952</u>

Schedule of Revenues - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2021 (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:				
Communications tax	\$ 1,300	\$ 1,300	\$ 879	\$ (421)
Total noncategorical aid	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 879</u>	<u>\$ (421)</u>
Categorical aid:				
Fire program	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000
DHCD planning grant	20,750	20,750	750	(20,000)
Local law enforcement block grant	11,572	11,572	12,869	1,297
Litter control grant	1,000	1,000	1,032	32
Total categorical aid	<u>\$ 43,322</u>	<u>\$ 43,322</u>	<u>\$ 29,651</u>	<u>\$ (13,671)</u>
Total revenue from the Commonwealth	<u>\$ 44,622</u>	<u>\$ 44,622</u>	<u>\$ 30,530</u>	<u>\$ (14,092)</u>
Revenue from the Federal Government:				
Categorical aid:				
CARES Act	\$ 87,596	\$ 87,596	\$ 87,596	-
Total categorical aid	<u>\$ 87,596</u>	<u>\$ 87,596</u>	<u>\$ 87,596</u>	<u>-</u>
Total revenue from the federal government	<u>\$ 87,596</u>	<u>\$ 87,596</u>	<u>\$ 87,596</u>	<u>-</u>
Total General Fund	<u><u>\$ 276,596</u></u>	<u><u>\$ 276,596</u></u>	<u><u>\$ 317,456</u></u>	<u><u>\$ 40,860</u></u>

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2021

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
General and financial administration:				
Other general and financial administration	\$ 87,950	\$ 87,950	\$ 54,043	\$ 33,907
Municipal building renovation	269,000	269,000	120,154	148,846
Total general government administration	<u>\$ 356,950</u>	<u>\$ 356,950</u>	<u>\$ 174,197</u>	<u>\$ 182,753</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 26,700	\$ 26,700	\$ 14,004	\$ 12,696
Fire and rescue services:				
Fire department	\$ 109,596	\$ 109,596	\$ 84,975	\$ 24,621
Ambulance and rescue services	1,000	1,000	1,000	-
Total fire and rescue services	<u>\$ 110,596</u>	<u>\$ 110,596</u>	<u>\$ 85,975</u>	<u>\$ 24,621</u>
Total public safety	<u>\$ 137,296</u>	<u>\$ 137,296</u>	<u>\$ 99,979</u>	<u>\$ 37,317</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks	\$ 15,500	\$ 15,500	\$ 14,355	\$ 1,145
Maintenance of general buildings and grounds	14,550	14,550	7,592	6,958
Total public works	<u>\$ 30,050</u>	<u>\$ 30,050</u>	<u>\$ 21,947</u>	<u>\$ 8,103</u>
Parks, recreation, and cultural:				
Planning grant	\$ 20,800	\$ 20,800	\$ 1,610	\$ 19,190
Recreation	500	500	-	500
Total parks, recreation, and cultural	<u>\$ 21,300</u>	<u>\$ 21,300</u>	<u>\$ 1,610</u>	<u>\$ 19,690</u>
Total General Fund	<u><u>\$ 545,596</u></u>	<u><u>\$ 545,596</u></u>	<u><u>\$ 297,733</u></u>	<u><u>\$ 247,863</u></u>

Combining Schedule of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Enterprise Fund Total</u>
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 116,541	\$ -	\$ 116,541
Sewer revenues	-	59,069	59,069
Connection Fees	1,625	2,025	3,650
Jail waste	-	78,720	78,720
Penalties	2,594	1,316	3,910
Other revenues	144	2,363	2,507
	<u>120,904</u>	<u>143,493</u>	<u>264,397</u>
Total operating revenues	\$ 120,904	\$ 143,493	\$ 264,397
OPERATING EXPENSES			
Salaries and fringe benefits	\$ 54,591	\$ 53,311	\$ 107,902
Telephone	-	2,062	2,062
Electricity - STP and PSTS	-	12,062	12,062
Electricity - wells	7,916	-	7,916
Inspections, fees, and permits	746	2,889	3,635
Fuel	1,401	2,319	3,720
Administrative expenses	1,898	810	2,708
Miscellaneous	4,686	11,528	16,214
Consulting and testing	2,314	8,785	11,099
Supplies and chemicals	4,356	13,471	17,827
Machine hire	1,709	10,280	11,989
Engineering expenses	5,050	1,247	6,297
Depreciation	114,026	-	114,026
	<u>198,693</u>	<u>118,764</u>	<u>317,457</u>
Total operating expenses	\$ 198,693	\$ 118,764	\$ 317,457
Operating income (loss)	\$ (77,789)	\$ 24,729	\$ (53,060)
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 430	\$ -	\$ 430
Revenue from the Commonwealth	89,516	-	89,516
Interest expense	(14,901)	-	(14,901)
	<u>75,045</u>	<u>-</u>	<u>75,045</u>
Total nonoperating revenues (expenses)	\$ 75,045	\$ -	\$ 75,045
Income (loss) before transfers	\$ (2,744)	\$ 24,729	\$ 21,985
Transfer from general fund	\$ 22,989	\$ -	\$ 22,989
Change in net position	<u>\$ 20,245</u>	<u>\$ 24,729</u>	<u>\$ 44,974</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***

**To the Honorable Members of the Town Council
Town of Drakes Branch, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Drakes Branch, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Drakes Branch, Virginia's basic financial statements and have issued our report thereon dated March 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Drakes Branch, 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 Drakes Branch, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Drakes Branch, 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Drakes Branch, 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 Drakes Branch, Virginia's Response to Findings

Town of Drakes Branch, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Drakes Branch, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
March 3, 2022

Schedule of Findings and Responses
 For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2021-001

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town's current internal control system does not provide adequate segregation of duties over accounting functions.
Cause:	One employee is responsible for initiating, recording, and posting all transactions.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	It is recommended that the Town assign accounting duties to separate employees.
Management's response:	Due to the Town's size, personnel and financial resources are not available to meet this requirement. However, other controls are in place to mitigate risk.

Schedule of Findings and Responses
For the Year Ended June 30, 2021 (Continued)

Section II - Financial Statement Findings (Continued)

2021-002

- Criteria:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires an adequate level of technical expertise.
- Condition:** The Town currently lacks sufficient technical knowledge to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America.
- Cause:** Town staff do not have the skill, nor does the Town utilize a third-party consultant, to prepare financial statements free from material misstatement.
- Effect:** The financial records prepared by management required significant audit adjustments to be in conformity with accounting principles generally accepted in the United States of America.
- Recommendation:** It is recommended that Town staff obtain additional technical training or use a third-party consultant to prepare the financial statements free of material misstatement.
- Management's response:** The Town has limited resources to meet financial reporting requirements. However, other controls are in place to mitigate associated risks. The Town Clerk provides monthly financial reports for review by Town Council that is considered an integral part of the monitoring controls over the Town's financial records.

Section III - Status of Prior Audit Findings

Findings 2020-001 and 2020-002 were recurring in fiscal year 2021 as 2021-001 and 2021-002.