

TOWN OF CHATHAM, VIRGINIA

ANNUAL FINANCIAL REPORT

Fiscal Year Ended

June 30, 2022

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Town Council
Town of Chatham, Virginia

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Town of Chatham, Virginia, as of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns* (Specifications), 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 the Town of Chatham, 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.

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 Chatham, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chatham, 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 the Town of Chatham, 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 budgetary comparison information and certain pension, group life insurance and line of duty act information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chatham, Virginia's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2022 on our consideration of the Town of Chatham, 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 the Town of Chatham, 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 Chatham, Virginia's internal control over financial reporting and compliance.

Harris Harvey Neal & Co. LLP

Danville, Virginia
May 8, 2023

TOWN OF CHATHAM, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

Our discussion and analysis of the Town of Chatham, Virginia's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Town's financial statements, which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) 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 13. 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. The remaining statements provide financial information about activities for which the Town acts solely as an agent for the benefit of those outside of the government.

Government-Wide Financial Statements

Our analysis of the Town as a whole begins on page 10. 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 helps 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.

The two statements report the Town's Net Position and changes in them. You can think of the Town's Net Position—the difference between assets and liabilities—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 tax base and the 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 the police, fire, public works, parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities—The Town charges a fee to customers 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.

Fund Financial Statements

Our analysis of the Town's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are 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 you 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 governmental funds in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds**—When the Town charges customers for the services it provides, (whether to outside customers or to other units of the Town) these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS A WHOLE

The Town’s combined net position increased 3.5 percent from the prior year. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town’s governmental and business-type activities.

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other						
assets	\$ 2,165,867	\$ 1,625,038	\$ 3,069,237	\$ 3,265,472	\$ 5,235,104	\$ 4,890,510
Capital assets	<u>1,438,607</u>	<u>1,424,132</u>	<u>3,402,320</u>	<u>3,455,573</u>	<u>4,840,927</u>	<u>4,879,705</u>
Total assets	<u>\$ 3,604,474</u>	<u>\$ 3,049,170</u>	<u>\$ 6,471,557</u>	<u>\$ 6,721,045</u>	<u>\$ 10,076,031</u>	<u>\$ 9,770,215</u>
Long-term debt						
outstanding	\$ 180,667	\$ 213,293	\$ 1,428,253	\$ 1,568,370	\$ 1,608,920	\$ 1,781,663
Other liabilities	<u>618,817</u>	<u>258,412</u>	<u>679,293</u>	<u>805,054</u>	<u>1,298,110</u>	<u>1,063,466</u>
Total liabilities	<u>\$ 799,484</u>	<u>\$ 471,705</u>	<u>\$ 2,107,546</u>	<u>\$ 2,373,424</u>	<u>\$ 2,907,030</u>	<u>\$ 2,845,129</u>
Net assets:						
Invested in capital						
assets, net of debt	\$ 1,277,161	\$ 1,266,569	\$ 1,974,067	\$ 1,887,203	\$ 3,251,228	\$ 3,153,772
Restricted	296,341	307,090	-	-	296,341	307,090
Unrestricted	<u>1,231,488</u>	<u>1,003,806</u>	<u>2,389,944</u>	<u>2,460,418</u>	<u>3,621,432</u>	<u>3,464,224</u>
Total net position	<u>\$ 2,804,990</u>	<u>\$ 2,577,465</u>	<u>\$ 4,364,011</u>	<u>\$ 4,347,621</u>	<u>\$ 7,169,001</u>	<u>\$ 6,925,086</u>

That reflects an increase of 8.8 percent for governmental activities and an increase of 0.38 percent increase for business-type activities.

The increase in governmental net position is due mostly due to the allocation of expenses from the general fund to the water and sewer fund which reduced expenses. The increase in net position of business-type activities is a result of the ARPA funds received and recognized in current year to offset related expenses.

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues:						
Charges for services	\$ 120,635	\$ 111,970	\$ 2,026,707	\$ 1,884,576	\$ 2,147,342	\$ 1,996,546
Grants and contributions	66,934	316,547	-	232,905	66,934	549,452
General revenues:						
Property taxes	342,963	391,077	-	-	342,963	391,077
Other taxes	570,775	503,403	-	-	570,775	503,403
Sale of cemetery lots	38,900	16,000	-	-	38,900	16,000
(Loss) on sale of property	(6,737)	-	-	-	(6,737)	-
Investment earnings	9,422	13,648	2,800	2,106	12,222	15,754
Total revenues	<u>1,142,892</u>	<u>1,352,645</u>	<u>2,029,507</u>	<u>2,119,587</u>	<u>3,172,399</u>	<u>3,472,232</u>
Program expenses:						
General government	(92,497)	66,082	-	-	(92,497)	66,082
Judicial administration	306,270	290,648	-	-	306,270	290,648
Public safety	76,376	35,905	-	-	76,376	35,905
Public works	514,165	508,097	-	-	514,165	508,097
Cemetery maintenance	18,984	21,541	-	-	18,984	21,541
Parks, recreation, and cultural	26,263	15,489	-	-	26,263	15,489
Interest on long-term debt	5,419	6,785	-	-	5,419	6,785
Water and sewer	-	-	2,073,504	2,289,986	2,073,504	2,289,986
Total expenses	<u>854,980</u>	<u>944,547</u>	<u>2,073,504</u>	<u>2,289,986</u>	<u>2,928,484</u>	<u>3,234,533</u>
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>\$ 287,912</u>	<u>\$ 408,098</u>	<u>\$ (43,997)</u>	<u>\$ (170,399)</u>	<u>\$ 243,915</u>	<u>\$ 237,699</u>

The Town's total revenues decreased by 8.6 percent. The total cost of all programs and services decreased by 9.5 percent. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for the Town's governmental activities decreased 15.5 percent, while expenses decreased 9.5 percent. The revenue decrease is due primarily to the contribution from Pittsylvania County relating to CARES Act funding received in the prior year in the amount of \$250,920. Expenses decreased due to primarily to expenses allocated from the general fund to the water and sewer fund relating to costs paid by the general fund as well as employees time.

Business-type Activities

Revenues for the Town's business-type activities decreased 4.2 percent due to FEMA funds due in prior year for damage from various storms. Expenses decreased 9.5 percent from the prior year. This decrease is due to less repairs and maintenance due to the same storms.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a fund balance of \$1,273,176, which is 5.9 percent higher than last year. The primary reason for the increase is due to federal funds received near the end of prior year and recognized as revenue in the current year.

General Fund Budgetary Highlights

The budget was amended during the year.

Actual expenses were \$274,253 lower than budgeted amounts, this is due to work that was budgeted to be completed during the current year will not be completed until subsequent to year end.. Actual revenues were \$59,512 lower due to less intergovernmental revenue received than budgeted which should be collected in the next fiscal year.

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, 2022, amounts to \$4,840,927 (net of accumulated depreciation). This investment in capital assets includes police and fire equipment, buildings, park facilities, improvements, and water and sewer lines. This amount represents a net decrease (including additions and deductions) of \$38,778, or 0.08 percent below last year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 295,910	\$ 295,910	\$ -	\$ -	\$ 295,910	\$ 295,910
Building and Improvements	885,568	925,250	-	-	885,568	925,250
Machinery, Equipment, and Vehicles	257,129	202,972	-	-	257,129	202,972
Water/Sewer Lines	<u>-</u>	<u>-</u>	<u>3,402,320</u>	<u>3,455,573</u>	<u>3,402,320</u>	<u>3,455,573</u>
Totals	<u>\$ 1,438,607</u>	<u>\$ 1,424,132</u>	<u>\$ 3,402,320</u>	<u>\$ 3,455,573</u>	<u>\$ 4,840,927</u>	<u>\$ 4,879,705</u>

This year's major additions included:

2021 Ford police vehicle and related upfit additions paid for with CARES Act funding	\$ 56,201
Meters for water and sewer fund paid for paid for with ARPA funding	\$ 126,554

Debt

At year-end, the Town had \$1,589,699 in bonds and notes outstanding compared to \$1,725,933 last year – a decrease of 7.87 percent as shown in the following table.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ -	\$ -	\$ 1,428,253	\$ 1,557,340	\$ 1,428,253	\$ 1,557,340
Lease revenue bond	94,533	141,800	-	-	94,533	141,800
Lease purchase	-	-	-	11,030	-	11,030
Notes payable	<u>66,913</u>	<u>15,763</u>	<u>-</u>	<u>-</u>	<u>66,913</u>	<u>15,763</u>
Totals	<u>\$ 161,446</u>	<u>\$ 157,563</u>	<u>\$ 1,428,253</u>	<u>\$ 1,568,370</u>	<u>\$ 1,589,699</u>	<u>\$ 1,725,933</u>

The Commonwealth limits the amount of general obligation debt that the Town can issue to 10 percent of the assessed value of all taxable property within the Town's corporate limits.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town received American Rescue Plan Act funding in the amount of \$740,268 during fiscal year end June 30, 2021, which will continue to be used to make strategic investments.

The rates for real estate and personal property tax, as well as garbage collection fees, will remain unchanged. The fee to purchase a cemetery plot will also endure.

Business type activities (e.g., water/sewer revenue) will also remain unchanged.

All of these factors were considered in preparing the Town's budget for the 2023 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 questions about this report or need additional financial information, contact the Town Finance Office at P.O. Box 370, Chatham, Virginia 24531. Phone 434-432-9515.

BASIC FINANCIAL STATEMENTS

TOWN OF CHATHAM, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2022

See Independent Auditors' Report

Exhibit 1

ASSETS	Governmental Activities	Business-type Activities	Total
Cash	\$ 693,693	\$ 2,398,813	\$ 3,092,506
Cash designated for capital improvements	422,754	-	422,754
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	82,104	-	82,104
Accounts	31,927	640,268	672,195
Restricted assets:			
Cash	40,030	-	40,030
Certificate of deposit	211,696	-	211,696
Fixed assets (net of accumulated depreciation)	1,438,607	3,402,320	4,840,927
Bond issuance costs (net of accumulated amortization)	2,462	30,156	32,618
Deferred outflows of resources-pension contributions	54,944	-	54,944
Net pension asset	626,257	-	626,257
Total assets	<u>\$ 3,604,474</u>	<u>\$ 6,471,557</u>	<u>\$ 10,076,031</u>
LIABILITIES			
Accounts payable	\$ 200,173	\$ 58,379	\$ 258,552
Accrued payroll	8,856	-	8,856
Deferred revenue	-	620,914	620,914
Long-term obligations:			
Due within one year	69,809	132,977	202,786
Due beyond one year	110,858	1,295,276	1,406,134
Net group life insurance liability	13,625	-	13,625
Net line of duty act liability	68,927	-	68,927
Deferred inflows of resources-VRS	327,236	-	327,236
Total liabilities	<u>799,484</u>	<u>2,107,546</u>	<u>2,907,030</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 1,277,161	\$ 1,974,067	\$ 3,251,228
Restricted for:			
Perpetual care:			
Unexpendable	258,118	-	258,118
Pension and Other Post Employment Benefits	38,223	-	38,223
Unrestricted	1,231,488	2,389,944	3,621,432
Total net position	<u>\$ 2,804,990</u>	<u>\$ 4,364,011</u>	<u>\$ 7,169,001</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ (92,497)	\$ -	\$ -	\$ -	\$ 92,497	\$ -	\$ 92,497
Judicial administration	306,270	-	-	-	(306,270)	-	(306,270)
Public safety	76,376	34,308	66,934	-	24,866	-	24,866
Public works	514,165	86,327	-	-	(427,838)	-	(427,838)
Cemetery maintenance	18,984	-	-	-	(18,984)	-	(18,984)
Parks, recreation, and cultural	26,263	-	-	-	(26,263)	-	(26,263)
Interest on long-term debt	5,419	-	-	-	(5,419)	-	(5,419)
Total governmental activities	854,980	120,635	66,934	-	(667,411)	-	(667,411)
Business-type activities:							
Water and sewer	2,073,504	2,026,707	-	-	-	(46,797)	(46,797)
Total primary government	\$ 2,928,484	\$ 2,147,342	\$ 66,934	\$ -	\$ (667,411)	\$ (46,797)	\$ (714,208)
General Revenues:							
Property taxes					\$ 342,963	\$ -	\$ 342,963
Other taxes and revenues					570,775	-	570,775
Sale of cemetery lots					38,900	-	38,900
Unrestricted investment earnings					9,422	2,800	12,222
(Loss) on sale of capital assets					(6,737)	-	(6,737)
Transfers					(60,387)	60,387	-
Total general revenues					894,936	63,187	958,123
Change in net assets					227,525	16,390	243,915
Net position - beginning					2,577,465	4,347,621	6,925,086
Net position - ending					\$ 2,804,990	\$ 4,364,011	\$ 7,169,001

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

See Independent Auditors' Report

Exhibit 3

ASSETS	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash	\$ 693,693	\$ -	\$ 693,693
Cash designated for capital improvements	422,754	-	422,754
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	82,104	-	82,104
Accounts	31,927	-	31,927
Due from other funds	-	41,175	41,175
Restricted assets:			
Cash	-	40,030	40,030
Certificate of deposit	-	211,697	211,697
	<u>\$ 1,230,478</u>	<u>\$ 292,902</u>	<u>\$ 1,523,380</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 200,173	\$ -	\$ 200,173
Accrued payroll	8,856	-	8,856
Due to other funds	41,175	-	41,175
Total liabilities	<u>250,204</u>	<u>-</u>	<u>250,204</u>
Fund balances:			
Restricted for:			
Perpetual care	-	292,902	292,902
Assigned to:			
Capital improvements	422,754	-	422,754
Unassigned	557,520	-	557,520
Total fund balances	<u>980,274</u>	<u>292,902</u>	1,273,176
Total liabilities and fund balances	<u>\$ 1,230,478</u>	<u>\$ 292,902</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,438,608
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			(174,204)
Some assets and liabilities, including net pension assets, net group life insurance and line of duty act liability, are not due and payable in the current period and, therefore, are not reported in the funds.			539,704
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			<u>(272,294)</u>
Net position of governmental activities			<u>\$ 2,804,990</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 342,964	\$ -	\$ 342,964
Other local taxes	263,394	-	263,394
Consumer utility tax	97,797	-	97,797
Permits, privilege fees, and regulatory licenses	132,667	-	132,667
Fines and forfeitures	34,308	-	34,308
Interest and investment revenue	4,820	4,602	9,422
Charges for service	86,327	-	86,327
Recovered costs	75,210	-	75,210
Sale of cemetery lots	-	39,905	39,905
Intergovernmental	66,934	-	66,934
Miscellaneous	1,874	-	1,874
Total revenues	1,106,295	44,507	1,150,802
Expenditures:			
Current:			
General government administration	(33,009)	-	(33,009)
Judicial administration	419,860	-	419,860
Public safety	63,660	-	63,660
Public works	510,669	-	510,669
Cemetery maintenance	18,406	-	18,406
Parks, recreation, and cultural	37,421	-	37,421
Debt service:			
Principal and interest retirement	57,628	-	57,628
Total expenditures	1,074,635	-	1,074,635
Excess of revenues over expenditures	31,660	44,507	76,167
Other financing sources (uses):			
Proceeds from note issued	56,202	-	56,202
Operating transfers in	9,725	-	9,725
Operating transfers out	(60,387)	(9,725)	(70,112)
Total other financing sources (uses)	5,540	(9,725)	(4,185)
Net change in fund balances	37,200	34,782	71,982
Fund balance at beginning of year	943,074	258,120	1,201,194
Fund balance at end of year	\$ 980,274	\$ 292,902	\$ 1,273,176

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 5

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

Net change in fund balances - total governmental funds (page 14)	\$ 71,982
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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 capital outlays in the current period.	79,612
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	73,511
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Governmental funds report Virginia Retirement System contributions as expenditures. However in the statement of activities, the cost of benefits earned net of employee contributions is reported as expense.	<u>2,420</u>
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Change in net position before prior period adjustment of governmental activities	<u><u>\$ 227,525</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2022

See Independent Auditors' Report

Exhibit 6

Business-type
Activities

Water and
Sewer Fund

ASSETS	
Current assets:	
Cash	\$ 2,398,813
Accounts receivables (net of allowances for uncollectibles)	407,363
Accounts receivable - other	<u>232,905</u>
Total current assets	<u>3,039,081</u>
Noncurrent assets:	
Fixed assets (net of accumulated depreciation)	3,402,320
Bond issuance costs (net of accumulated amortization)	<u>30,156</u>
Total noncurrent assets	<u>3,432,476</u>
Total assets	<u><u>\$ 6,471,557</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 58,379
Deferred revenue	620,914
Long-term debt	<u>132,977</u>
Total current liabilities	<u>812,270</u>
Noncurrent liabilities:	
Long-term debt	<u>1,295,276</u>
Total noncurrent liabilities	<u>1,295,276</u>
Total liabilities	<u>2,107,546</u>
NET POSITION	
Invested in capital assets, net of related debt	1,974,067
Unrestricted	<u>2,389,944</u>
Total net position	<u><u>\$ 4,364,011</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 7

	Business-type <u>Activities</u>
	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 2,009,932
Tap fees	1,750
Miscellaneous	15,025
Total operating revenues	<u>2,026,707</u>
Operating expenses:	
Overhead allocations	330,740
Contractual services	1,192,949
Waste water and water use fee	13,097
Repairs and maintenance	168,846
Vehicle expenses	65
Materials and supplies	15,279
Depreciation	194,787
Utilities	43,517
Telephone	4,048
Insurance	14,616
Data processing	200
Other expenses	8,695
Total operating expenses	<u>1,986,839</u>
Operating income	<u>39,868</u>
Nonoperating income (expense):	
Interest income	2,800
Interest expense	(86,665)
Total nonoperating (expense)	<u>(83,865)</u>
Transfers in	<u>60,387</u>
Net income	16,390
Total net position-beginning	<u>4,347,621</u>
Total net position-ending	<u>\$ 4,364,011</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 8

Business-type Activities

Water and
Sewer Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	1,921,052
Payments to suppliers		(1,917,813)
Net cash provided by operating activities		3,239

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		2,800
Net cash provided by investing activities		2,800

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Transfer from other funds		60,387
Purchase of capital assets		(141,534)
Principal paid on capital debt		(140,117)
Interest paid on capital debt		(83,318)
Net cash (used in) capital and related financing activities		(304,582)

Net (decrease) in cash		(298,543)
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Cash and cash equivalents

Beginning		2,697,356
Ending	\$	2,398,813

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating income	\$	39,868
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		194,787
Change in operating assets and liabilities:		
(Increase) in accounts receivable		(105,655)
Increase in accounts payable		18,593
(Decrease) in deferred revenue		(144,354)
Net cash provided by operating activities	\$	3,239

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Chatham, Virginia (the primary government) is a municipal corporation governed by a seven-member council. The Town's major operations include police and fire protection, parks and recreation, public works, and general administrative services. In addition, the Town owns and operates a water and sewer system.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

B. Financial Statement Presentation

Government-Wide and Fund Financial Statements

Government-Wide Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

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

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Town has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The Town’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenditures, and Changes in Net Position, and a Statement of Cash Flows for the proprietary fund.

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

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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the Town's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

D. Allowances for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to \$2,500 in the Governmental Activities at June 30, 2022.

E. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	30-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Other infrastructure	10-50 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. No new infrastructure assets were constructed or purchased for the year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

F. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Expenditures

Expenditures are recognized when the related fund liability is incurred.

H. Compensated Absences

The Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

I. 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.

J. Long-term Obligations

In the government-wide financial statements, 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, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

L. 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 represents 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.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has multiple items that qualify for reporting in this category. They 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. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Certain items related to the measurement of the net pension an OPBE asset/liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan and OPEB investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the related notes.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

N. Group Life Insurance

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

O. Line of duty act program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Virginia Local Disability Program

The Virginia Retirement System (VRS) Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Virginia Local Disability Program; and the additions to/deductions from the VRS Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 2. Cash

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.

At year-end, the carrying value of the Town’s deposits with banks and savings institutions was \$3,766,986, and the bank balance was \$3,760,958.

Note 3. Property Taxes and Other Receivable

Property tax is levied on or about October 15th annually on the assessed (appraised) value listed as of the prior January 1st for all real and personal property located in the Town. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council. Appraised values are established by the Pittsylvania County Tax Assessor at 100% of estimated fair market value.

Taxes are due on December 5th immediately following the levy date and are delinquent on December 6th. Current tax collections for the year ended June 30, 2022 were 91.05% of the tax levy.

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the year, and therefore susceptible to accrual in accordance with generally accepted accounting principles, have been recognized as revenue.

The Town applied for Federal Emergency Management Agency funds in the amount of \$232,905 for repairs caused by winter storms.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance <u>7/1/21</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/22</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 295,910	\$ -	\$ -	\$ 295,910
Capital assets, being depreciated:				
Buildings and improvements	2,133,952	10,635	-	2,144,587
Equipment	<u>985,104</u>	<u>114,466</u>	<u>(18,145)</u>	<u>1,081,425</u>
Total capital assets being depreciated	<u>3,119,056</u>	<u>125,101</u>	<u>(18,145)</u>	<u>3,226,012</u>
Less accumulated depreciation for:				
Buildings and improvements	1,208,702	50,317	-	1,259,019
Equipment	<u>782,132</u>	<u>53,571</u>	<u>(11,407)</u>	<u>824,296</u>
Total accumulated depreciation	<u>1,990,834</u>	<u>103,888</u>	<u>(11,407)</u>	<u>2,083,315</u>
Governmental activities capital assets, net	<u><u>\$ 1,424,132</u></u>	<u><u>\$ 21,213</u></u>	<u><u>\$ (6,738)</u></u>	<u><u>\$ 1,438,607</u></u>
Business-type activities:				
Capital assets, being depreciated:				
Water plant	\$ 2,468,220	\$ 156,554	\$ -	\$ 2,624,774
Sewer plant	2,569,322	-	-	2,569,322
Lines, tank, etc.	3,020,869	-	-	3,020,869
Machinery and equipment	<u>247,219</u>	<u>14,980</u>	<u>-</u>	<u>262,199</u>
Total capital assets being depreciated	<u>8,305,630</u>	<u>171,534</u>	<u>-</u>	<u>8,477,164</u>
Less accumulated depreciation for:				
Water plant	774,896	75,840	-	850,736
Sewer plant	1,848,261	53,874	-	1,902,135
Lines, tank, etc.	1,979,681	65,073	-	2,044,754
Machinery and equipment	<u>247,219</u>	<u>-</u>	<u>-</u>	<u>247,219</u>
Total accumulated depreciation	<u>4,850,057</u>	<u>194,787</u>	<u>-</u>	<u>5,044,844</u>
Business-type activities capital assets, net	<u><u>\$ 3,455,573</u></u>	<u><u>\$ (23,253)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,432,320</u></u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 28,496
Public safety	64,166
Public works	4,147
Cemetery maintenance	305
Parks, recreation, and cultural	<u>6,774</u>

Total depreciation expense-governmental activities	<u><u>\$ 103,888</u></u>
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Business-type activities:

Water and sewer	<u><u>\$ 194,787</u></u>
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Note 5. Long-Term Debt

Governmental activities:

On June 24, 2014, the Industrial Development Authority of Pittsylvania County issued a \$472,669 lease revenue refunding bond for the purpose of payment, refinancing and refunding of the Industrial Development Authority's \$726,000 lease revenue bond which was used to construct a new fire station for the Chatham Volunteer Fire Department. The bond was issued pursuant to a lease agreement dated June 1, 2014 between the Industrial Development Authority of Pittsylvania County and the Town Council of the Town of Chatham. The Town is not empowered to make any binding commitment beyond the current fiscal year of the Town although the current intention of the Town Council is to make sufficient annual appropriation during the lease term to pay all rental payments and other amounts required to be paid by the Town under the lease. Interest is payable at 2.50%. Installments of principal are due annually on June 1, through June 1, 2024. Installments of interest are due on each December 1 and June 1, through June 1, 2024.

Annual requirements are summarized as follows:

Year Ending June 30:	Principal	Interest
2023	\$ 47,266	\$ 2,363
2024	<u>47,268</u>	<u>1,182</u>
Total	<u><u>\$ 94,534</u></u>	<u><u>\$ 3,545</u></u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

On July 12, 2018, Town Council entered into a \$25,300 loan with the United States Department of Agriculture, for the purpose of purchasing a police truck. Interest is payable at 3.875%. Installments of principal and interest are due annually on July 12, through July 12, 2023.

Annual requirements are summarized as follows:

Year Ending June 30:	Principal	Interest
2023	\$ 5,459	\$ 215
2024	5,252	422
Total	<u>\$ 10,711</u>	<u>\$ 637</u>

On February 11, 2022, Town Council entered into a \$56,202 loan with First Citizens Bank, for the purpose of purchasing a police truck. Interest is payable at 3.970%. Installments of principal and interest are due annually on February 11, through February 11, 2026.

Annual requirements are summarized as follows:

Year Ending June 30:	Principal	Interest
2023	\$ 13,241	\$ 2,231
2024	13,767	1,706
2025	14,313	1,159
2026	14,881	591
Total	<u>\$ 56,202</u>	<u>\$ 5,687</u>

Business-type activities:

On March 29, 2012, the Town Council entered into a refunding bond issue of \$1,640,552, for the purpose of refunding the Town's General Obligation Water and Sewer Refunding Bond, Series 2008 and to pay the redemption price and issuance costs related thereto. Interest is payable at 3.10%. Installments of principal are due annually on June 15, through June 15, 2033. Installments of interest are due on each June 15 and December 15, through June 15, 2033.

Future maturities for bonds payable are as follows:

Year Ending June 30:	Principal	Interest
2023	\$ 76,177	\$ 28,799
2024	78,538	26,438
2025	80,973	24,002
2026	83,483	21,494
2027	86,071	18,904
Thereafter	523,761	53,609
Total	<u>\$ 929,003</u>	<u>\$ 173,246</u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

On September 22, 2015, the Town Council entered into a utility revenue bond issue of \$821,000, for the purpose of renovating the water treatment plant and to pay the issuance costs related thereto. Interest is payable at 2.50%. Installments of principal and interest are due on each August 1 and February 1, through August 1, 2030.

Future maturities for bonds payable are as follows:

Year Ending June 30:	Principal	Interest
2023	\$ 56,800	\$ 13,196
2024	58,300	11,640
2025	59,800	10,045
2026	61,600	9,376
2027	65,000	
Thereafter	<u>197,750</u>	<u>15,331</u>
Total	<u>\$ 499,250</u>	<u>\$ 59,588</u>

Changes in Long-Term Debt:

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

	Payable at <u>7/1/21</u>	Plus <u>Additions</u>	Less <u>Retirements</u>	Payable at <u>6/30/22</u>	Due within <u>One year</u>
Governmental activities:					
Bonds and notes payable:					
Lease revenue bond:					
06/24/14 Issue	\$ 141,800	\$ -	\$ 47,267	\$ 94,533	\$ 47,266
Note payable - 7/12/18	15,763	-	5,052	10,711	5,459
Note payable - 2/11/22	<u>-</u>	<u>56,202</u>	<u>-</u>	<u>56,202</u>	<u>13,240</u>
Total bonds and notes payable	<u>157,563</u>	<u>56,202</u>	<u>52,319</u>	<u>161,446</u>	<u>65,965</u>
Other liabilities:					
Compensated absences	<u>55,730</u>	<u>4,255</u>	<u>40,764</u>	<u>19,221</u>	<u>3,844</u>
Governmental activities long-term liabilities	<u>\$ 213,293</u>	<u>\$ 60,457</u>	<u>\$ 93,083</u>	<u>\$ 180,667</u>	<u>\$ 69,809</u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

	Payable at <u>7/1/21</u>	Plus <u>Additions</u>	Less <u>Retirements</u>	Payable at <u>6/30/22</u>	Due within <u>One year</u>
Business-type activities:					
Bonds:					
General obligation bonds:					
03/29/12 Issue	\$ 1,002,890	\$ -	\$ 73,887	\$ 929,003	\$ 76,177
Utility Revenue bonds:					
09/22/15 Issue	<u>554,450</u>	<u>-</u>	<u>55,200</u>	<u>499,250</u>	<u>56,800</u>
Total bonds payable	<u>1,557,340</u>	<u>-</u>	<u>129,087</u>	<u>1,428,253</u>	<u>132,977</u>
Lease purchase agreement	<u>11,030</u>	<u>-</u>	<u>11,030</u>	<u>-</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,568,370</u>	<u>\$ -</u>	<u>\$ 140,117</u>	<u>\$ 1,428,253</u>	<u>\$ 132,977</u>

Details of Long-Term Indebtedness

Governmental Activities:	<u>Amount Outstanding</u>
\$472,669 authorized and issued - Lease Revenue Bond issued June 24, 2014, maturing annually with interest payable annually. Bonds bearing interest at 2.50% maturing on June 1, 2024	\$ 94,533
\$25,300 note with United States Department of Agriculture to finance a police truck, payable in five annual installments of \$5,674 bearing interest at 3.875%	10,711
Compensated absences:	
Vacation and sick leave	<u>19,221</u>
	<u>\$ 180,667</u>
Business-type activities:	<u>Amount Outstanding</u>
\$1,640,552 authorized and issued Water and Sewer Fund General Obligation Refunding Bond issued March 29, 2012, maturing annually with interest payable semi-annually. Bonds bearing interest at 3.10% maturing on June 15, 2033	\$ 929,003
\$821,000 authorized and issued Water and Sewer Utility Revenue Bond, Series 2015 issued September 22, 2015. The revenue bond is due in varying annual installments through August 2030 with interest payable semi-annually at a rate of 2.50%	<u>499,250</u>
	<u>\$1,428,253</u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 6. Fund Balance Disclosure

The Town of Chatham, Virginia implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2012. The purpose of GASB No. 54 is to improve the consistency and usefulness of the fund balance information to the financial user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASB No. 54, the Town classifies fund balances in the government funds as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Town has not reported any amounts that are not spendable in form or legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Town Council, the Town's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the Town's Council. The Town has not reported any amounts that are committed in the current year.
- Assigned – includes amounts that the Town intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the Town's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the Town's policy to use committed resources first, then assigned, and then unassigned as needed.

The Town does not have a formal minimum fund balance requirement. However, the Town has adopted a Reserve Policy, which addresses various targeted reserve amounts in the General Fund and the action that will be taken if the reserves fall below the targeted amount.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 6. Fund Balance Disclosure (Continued)

Government-wide and Proprietary Fund Financial Statements. The Town classifies net position in the government-wide and proprietary fund financial statements as follows:

- Net Investment in Capital Assets - includes the Town's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position - includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- Unrestricted Net Position - typically includes unrestricted liquid assets. The Town Council has the authority to revisit or alter this designation.

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

VRS-Plan 1

About the Plan:

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

Eligible Members:

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

VRS-Plan 1 (continued)

Hybrid Opt-In Election:

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

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

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

Retirement Contributions:

Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit:

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

Vesting:

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

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

Calculating the Benefit:

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

Average Final Compensation:

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

VRS-Plan 1 (Continued)

Service Retirement Multiplier VRS:

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.

Normal Retirement Age VRS:

Age 65.

Earliest Unreduced Retirement Eligibility VRS:

Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Earliest Reduced Retirement Eligibility VRS:

Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

Eligibility:

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

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

Exceptions to COLA Effective Dates:

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

- The member is within five years (60 months) of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the *Workforce Transition Act* or the Transitional Benefits Program.

Cost-of-Living Adjustment (COLA) in Retirement (Continued):

Exceptions to COLA Effective Dates (Continued)

- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

VRS PLAN 1 (Continued)

Disability Coverage:

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service:

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

VRS - PLAN 2

About the Plan:

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

Eligible Members:

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

Hybrid Opt-In Election:

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

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

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

Retirement Contributions:

Same as Plan 1.

Service Credit:

Same as Plan 1.

Vesting:

Same as Plan 1.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

VRS PLAN 2 (Continued)

Calculating the Benefit:

See definition under Plan 1.

Average Final Compensation:

A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier VRS:

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age:

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility VRS:

Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.

Earliest Reduced Retirement Eligibility VRS:

Age 60 with at least five years (60 months) of service credit.

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.

Eligibility:

Same as Plan 1.

Exceptions to COLA Effective Dates:

Same as Plan 1.

Disability Coverage:

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service:

Same as Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan:

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF CHATHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

About the Hybrid Retirement Plan (Continued):

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members:

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

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

*Non-Eligible Members:

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Agency employees who are covered by enhanced benefits for hazardous duty employees

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

Retirement Contributions:

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit:

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

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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Vesting:

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit.

Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

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

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

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

- After two years (24 months), a member is 50% vested and may withdraw 50% of employer contributions.
- After three years (36 months), a member is 75% vested and may withdraw 75% of employer contributions.
- After four (4) or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit:

Defined Benefit Component - See definition under Plan 1.

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

Average Final Compensation:

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier:

Defined Benefit Component VRS: The retirement multiplier for the defined benefit component 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.

Defined Contribution Component - Not applicable.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age:

Defined Benefit Component VRS - Same as Plan 2.

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

Earliest Unreduced Retirement Eligibility:

Defined Benefit Component VRS - Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and plus service credit equals 90.

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

Earliest Reduced Retirement Eligibility:

Defined Benefit Component VRS - Age 60 with at least five years (60 months) of service credit.

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

Cost-of-Living Adjustment (COLA) in Retirement:

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not applicable.

Eligibility - Same as Plan 1 and Plan 2.

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

Disability Coverage:

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

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

Purchase of Prior Service:

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

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component - Not applicable

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	<u>14</u>
Inactive members:	
Vested inactive members	9
Non-vested inactive members	6
Active members active elsewhere in VRS	<u>3</u>
Total inactive members	<u>18</u>
Active members	<u>6</u>
Total covered employees	<u><u>38</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 of Chatham, Virginia's contractually required contribution rate for the year ended June 30, 2022 was 3.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Chatham, Virginia were \$12,507 and \$12,724 for the years ended June 30, 2022 and 2021, respectively.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town of Chatham, Virginia, the 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 rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 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 expense, including inflation*

Mortality rates

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assume 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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. 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 year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
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% for females set forward 2 years.

TOWN OF CHATHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates (continued):

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 rate.

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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit 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)	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%	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%
MAP - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 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 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(Asset) (a) - (b)
Balances at June 30, 2020	\$ 2,000,082	\$ 2,193,573	\$ (193,491)
Changes for the year:			
Service cost	32,088	-	32,088
Interest	127,788	-	127,788
Benefit changes	-	-	-
Difference between expected and actual experience	(50,038)	-	(50,038)
Assumption changes	57,972	-	57,972
Contributions - employer	-	11,759	(11,759)
Contributions - employee	-	19,416	(19,416)
Net investment income	-	570,900	(570,900)
Benefit payments, including refunds	(213,866)	(213,866)	-
Administrative expense	-	(1,552)	1,552
Other changes	-	53	(53)
Net changes	(46,056)	386,710	(432,766)
Balances at June 30, 2021	\$ 1,954,026	\$ 2,580,283	\$ (626,257)

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's			
Net Pension Liability	\$ (370,727)	\$ (626,257)	\$ (838,299)

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

For the year ended June 30, 2022, the Town of Chatham, Virginia recognized pension (credit) of \$91,361. At June 30, 2022, the Town of Chatham, Virginia 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	\$ -	\$ 10,669
Change in assumptions	11,962	-
Net difference between projected and actual earnings on pension plan investments	-	279,233
Employer contributions subsequent to the measurement date	12,507	-
Total	<u>\$ 24,469</u>	<u>\$ 289,902</u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

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

\$12,507 reported as deferred outflows of resources related to pensions resulting from the political division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2023	\$	(63,993)
2024		(63,416)
2025		(64,721)
2026		(85,810)
2027		-
Thereafter		-
	\$	<u>(277,940)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at 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 8. Group Life Insurance

General Information about the Group Life Insurance Program

Plan description

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

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

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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (Continued)

Eligible Employees

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

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

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

Benefit amounts

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

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

Reduction in benefits amounts

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

Minimum benefit amount and cost-of-living adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2022.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (Continued)

Contributions (Continued)

for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (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. Contribution to the Group Life Insurance Program from the entity were \$1,493 and \$2,109 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2022, the entities reported a liability of \$13,625 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 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 Group Life Insurance Program 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 .00190% as compared to .00134% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB (credit) of \$5,151. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB credit 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	\$ 1,779	\$ 119
Net difference between projected and actual earnings on GLI OPEB program investments		3,724
Change in assumptions	860	2,115
Changes in proportion	-	19,308
Employer contributions subsequent to the measurement date	1,750	-
Total	<u>\$ 4,389</u>	<u>\$ 25,266</u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (Continued)

\$1,750 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30:

2023	\$ (6,558)
2024	(6,140)
2025	(4,775)
2026	(3,497)
2027	<u>(1,657)</u>
	<u>\$ (22,627)</u>

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.

Inflation	2.50%
Salary increases, including inflation –	
General state employees	3.50% – 5.35%
Teachers	3.50% – 5.95%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.50%
Locality – General employees	3.50% – 5.35%
Locality – Hazardous Duty employees	3.50% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (Continued)

Mortality rates – Non-largest ten locality employers – general 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; 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace loan with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set seperate rates based on experience for Plan 2/Hybrid; changed final retirement ages 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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (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 the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decreased rate from 60% to 45%
Discount rate	Decrease rate from 7.00% to 6.75%

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (Continued)

Net GLI OPEB liability

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

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,577,346
Plan fiduciary net position	2,413,074
Employers' net GLI OPEB liability	<u>\$ 1,164,272</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.

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:

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (Continued)

Long-term expected rate of return (continued)

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%	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 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. The 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%.

Discount rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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 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.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (Continued)

Sensitivity of the employer's proportionate share of the net GLI OPEB liability to changes in the discount rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 22,794	\$ 15,601	\$ 9,793

Group life insurance program fiduciary net position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at 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 9. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act

General Information about the Line of Duty Act Program

Plan description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act (Continued)

General Information about the Line of Duty Act Program (Continued)

Plan description (Continued)

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

Line of Duty Act Program (LODA) Plan Provisions	
Eligible employees	
The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).	
Benefit amounts	
The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals: ● Death - The Line of Duty Act Program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: ○ \$100,000 when a death occurs as a direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. ● Health insurance - The Line of Duty Act Program provides health insurance benefits. ○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. ○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.	

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act (Continued)

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2022 was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$1,445 and \$2,151 for the years ended June 30, 2022 and June 30, 2021, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2022, the entity reported a liability of \$68,927 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2021. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was .01558% as compared to .01563% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of \$5,776. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,747	\$ 10,436
Net difference between projected and actual earnings on LODA OPEB program investments	-	399
Change in assumptions	19,074	3,297
Changes in proportion	157	930
Employer contribution subsequent to the measurement date	1,445	-
Total	<u>\$ 26,423</u>	<u>\$ 15,062</u>

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act (Continued)

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

\$1,445 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30:

2023	\$ 1,395
2024	1,413
2025	1,419
2026	1,424
2027	1,607
Thereafter	<u>2,658</u>
	<u>\$ 9,916</u>

Actuarial assumptions:

The total LODA 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.

Inflation	2.50 %
Salary increases, including inflation –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00% – 4.75%
Ages 65 and older	5.375% – 4.75%
Year of ultimate trend rate	
Post-65	Fiscal year ended 2024
Pre-65	Fiscal year ended 2029
Investment rate of return	2.16%, including inflation*

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act (Continued)

Actuarial assumptions (Continued):

* Since LODA is funded on a current-disbursement basis, the assumed rate of return of 2.16% was used since it approximates the risk-free rate of return.

Mortality rates –Non-largest ten locality employers with public safety 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. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	retirement ages from 65 to 70
Withdrawal rates	Decreased rates and changed rates baased 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

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act (Continued)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2021, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB liability	\$ 448,542
Plan fiduciary net position	7,553
Employers' net OPEB liability	<u>\$ 440,989</u>
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.68%

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-term expected rate of return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.16% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they 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 ending June 30, 2021, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act (Continued)

Net LODA OPEB Liability (Continued)

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.16%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Covered employer's proportionate share of the total LODA			
Net OPEB liability	\$ 79,292	\$ 68,927	\$ 60,692

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease 6.00% decreasing to 3.75%	Current Discount Rate 7.00% decreasing to 4.75%	1.00% Increase 8.00% decreasing to 5.75%
Covered employer's proportionate share of the total LODA			
Net OPEB liability	\$ 56,557	\$ 68,927	\$ 84,789

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2021 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2021 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2001-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF CHATHAM, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 10. Deferred Revenue

At June 30, 2021, the Town received American Rescue Plan funds in the amount of \$740,268 to aid public health and economic recovery from the COVID-19 pandemic, of which \$119,354 was spent for fiscal year ending June 30, 2022, the remaining \$620,914 is included in deferred revenue.

Note 11. Subsequent Events

Management has evaluated subsequent events through March 14, 2023, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHATHAM, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year ended June 30, 2022

Exhibit 9

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 401,000	\$ 401,000	\$ 342,964	\$ (58,036)
Other local taxes	217,600	217,600	263,394	45,794
Consumer utility tax	110,000	110,000	97,797	(12,203)
Permits, privilege fees, and regulatory licenses	111,125	111,683	132,667	20,984
Fines and forfeitures	28,000	28,000	34,308	6,308
Interest and investment revenue	1,400	1,400	4,820	3,420
Charges for service	82,100	82,001	86,327	4,326
Recovered costs	40,100	40,100	75,210	35,110
Intergovernmental	50,800	133,973	66,934	(67,039)
Miscellaneous	15,090	40,050	1,874	(38,176)
Total revenues	1,057,215	1,165,807	1,106,295	(59,512)
Expenditures:				
Current:				
General government administration	437,861	486,342	(33,009)	519,351
Judicial administration	258,434	293,336	419,860	(126,524)
Public safety	35,350	43,000	63,660	(20,660)
Public works	388,040	436,661	510,669	(74,008)
Cemetery maintenance	7,900	17,900	20,107	(2,207)
Parks, recreation, and cultural	14,200	14,200	37,421	(23,221)
Debt service:				
Principal and interest retirement	59,150	59,150	57,628	1,522
Total expenditures	1,200,935	1,350,589	1,076,336	274,253
Excess (deficiency) of revenues over (under) expenditures	(143,720)	(184,782)	29,959	214,741
Other financing sources:				
Operating transfers in	143,720	184,782	(60,387)	245,169
Total other financing sources	143,720	184,782	(4,185)	188,967
Net change in fund balances			25,774	
Fund balance at beginning of year			943,074	
Fund balance at end of year			\$ 968,848	

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Years Ended June 30, 2014 through 2021*

Exhibit 10

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service costs	\$ 32,088	\$ 56,051	\$ 64,581	\$ 65,223	\$ 76,367	\$ 69,705	\$ 73,926	\$ 71,778
Interest	127,788	126,171	122,232	119,451	116,384	109,876	100,993	92,308
Changes of assumptions	57,972	-	53,162	-	(41,598)	-	-	-
Difference between expected and actual experience	(50,038)	(7,980)	(26,890)	(58,483)	(20,449)	(14,207)	(3,836)	-
Benefit payments, including refunds of employee contributions	(213,866)	(86,707)	(93,423)	(79,502)	(94,262)	(50,562)	(37,783)	(42,247)
Net change in total pension liability	(46,056)	87,535	119,662	46,689	36,442	114,812	133,300	121,839
Total pension liability - beginning	2,000,082	1,912,547	1,792,885	1,746,196	1,709,754	1,594,942	1,461,642	1,339,803
Total pension liability - ending	<u>\$ 1,954,026</u>	<u>\$ 2,000,082</u>	<u>\$ 1,912,547</u>	<u>\$ 1,792,885</u>	<u>\$ 1,746,196</u>	<u>\$ 1,709,754</u>	<u>\$ 1,594,942</u>	<u>\$ 1,461,642</u>
Plan fiduciary net position								
Contributions - employer	\$ 11,759	\$ 12,540	\$ 14,092	\$ 20,040	\$ 24,539	\$ 39,798	\$ 38,643	\$ 46,957
Contributions - employee	19,416	18,997	20,021	25,688	31,395	32,830	31,884	31,112
Net investment income	570,900	41,714	140,383	149,162	222,405	32,472	78,033	226,034
Benefit payments, including refunds of employee contributions	(213,866)	(86,707)	(93,423)	(79,502)	(94,262)	(50,562)	(37,783)	(42,247)
Administrative expenses	(1,552)	(1,448)	(1,410)	(1,289)	(1,297)	(1,089)	(1,020)	(1,173)
Other changes	53	(49)	(88)	(132)	(197)	(13)	(17)	12
Net change in plan fiduciary net position	386,710	(14,953)	79,575	113,967	182,583	53,436	109,740	260,695
Plan fiduciary net position - beginning	2,193,573	2,208,526	2,128,951	2,014,984	1,832,401	1,778,965	1,669,225	1,408,530
Plan fiduciary net position - ending	<u>\$ 2,580,283</u>	<u>\$ 2,193,573</u>	<u>\$ 2,208,526</u>	<u>\$ 2,128,951</u>	<u>\$ 2,014,984</u>	<u>\$ 1,832,401</u>	<u>\$ 1,778,965</u>	<u>\$ 1,669,225</u>
Political subdivision's net pension (asset)	<u>\$ (626,257)</u>	<u>\$ (193,491)</u>	<u>\$ (295,979)</u>	<u>\$ (336,066)</u>	<u>\$ (268,788)</u>	<u>\$ (122,647)</u>	<u>\$ (184,023)</u>	<u>\$ (207,583)</u>
Plan fiduciary net position as a percentage of the total pension liability	132.05%	109.67%	115.48%	118.74%	115.39%	107.17%	111.54%	114.20%
Covered-employee payroll	\$ 276,401	\$ 391,440	\$ 405,510	\$ 518,010	\$ 696,769	\$ 656,605	\$ 637,685	\$ 658,022
Political subdivision's net pension liability as a percentage of covered-employee payroll	(226.58%)	(49.43%)	(72.99%)	(64.88%)	(38.58%)	(18.68%)	(28.86%)	(31.55%)

See notes to schedule of changes in net pension liability and related ratios.

TOWN OF CHATHAM, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Years Ended June 30, 2015 through 2021*

Exhibit 10

SCHEDULE OF EMPLOYER CONTRIBUTIONS					
<u>Date</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employees Payroll</u>	<u>Contribution as a % of Covered Employees Payroll</u>
2015	\$ 38,643	\$ 38,643	\$ -	\$ 637,685	6.06%
2016	\$ 41,169	\$ 41,169	\$ -	\$ 656,605	6.27%
2017	\$ 27,905	\$ 27,905	\$ -	\$ 696,769	4.00%
2018	\$ 20,040	\$ 20,040	\$ -	\$ 518,010	3.93%
2019	\$ 13,706	\$ 13,706	\$ -	\$ 405,510	3.38%
2020	\$ 13,231	\$ 13,231	\$ -	\$ 391,440	3.38%
2021	\$ 10,669	\$ 10,669	\$ -	\$ 276,401	3.86%
2022	\$ 12,507	\$ 12,507	\$ -	\$ 324,003	3.86%

* Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only 2015 - 2022 data is available.

See related notes

TOWN OF CHATHAM, VIRGINIA

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
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, valuations 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 the VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)-Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement Rates -Adjusted rates to better fit experience and changed final retirement age from 65 to 70

Withdrawal Rates – Rates decreased and changed from rates based on age and services 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 CHATHAM, VIRGINIA

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

For the Measurement Dates of June 30, 2017 through 2021 *

Exhibit 11

	2021	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability (asset)	0.00134%	0.00190%	0.00207%	0.00274%	0.00344%
Employer's proportionate share of the net GLI OPEB liability (asset)	\$ 15,601	\$ 31,708	\$ 33,684	\$ 41,000	\$ 52,000
Employer's covered payroll	\$ 276,401	\$ 391,439	\$ 405,510	\$ 520,783	\$ 634,190
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	5.64%	8.10%	8.31%	7.87%	8.20%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	62.53%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years.

Since 2021 is the fifth year for this presentation, only five years of data is available. However, additional years will be included as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
For the Years Ended June 30, 2013 through 2022

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Date	(1)	(2)	(3)	(4)	(5)
2022	\$ 1,750	\$ 1,750	\$ -	\$ 324,003	0.54%
2021	\$ 1,493	\$ 1,493	\$ -	\$ 276,401	0.54%
2020	\$ 2,035	\$ 2,035	\$ -	\$ 391,439	0.52%
2019	\$ 2,109	\$ 2,109	\$ -	\$ 405,510	0.52%
2018	\$ 2,708	\$ 2,708	\$ -	\$ 520,783	0.52%
2017	\$ 3,298	\$ 3,298	\$ -	\$ 634,190	0.52%
2016	\$ 3,155	\$ 3,155	\$ -	\$ 657,295	0.48%
2015	\$ 3,061	\$ 3,061	\$ -	\$ 637,686	0.48%
2014	\$ 2,987	\$ 2,987	\$ -	\$ 622,232	0.48%
2013	\$ 2,843	\$ 2,843	\$ -	\$ 592,476	0.48%

TOWN OF CHATHAM, VIRGINIA

NOTES TO SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
For the Year Ended June 30, 2022

Exhibit 12

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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Increased rate from 14% to 15%

Non-largest ten locality employers – hazardous duty employees

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decreased rate from 60% to 45%

TOWN OF CHATHAM, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LINE OF DUTY ACT PROGRAM
For the Year Ended June 30, 2021, 2020 2019, and 2018

Exhibit 13

	2021	2020	2019	2018
Employer's proportion of the net LODA OPEB liability (asset)	0.02592%	0.01563%	0.01578%	0.01578%
Employer's proportionate share of the net LODA OPEB liability (asset)	\$ 68,927	\$ 65,252	\$ 56,617	\$ 50,000
Covered-employee payroll	\$ 202,492	\$ 202,492	\$ 162,940	\$ 148,889
Employer's proportionate share of the net LODA OPEB liability (asset) as a percentage of its covered-employee payroll	34.04%	32.22%	34.75%	33.58%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.68%	1.02%	0.79%	1.30%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only four years of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

**The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine covered-employee payroll is misleading and, therefore, not applicable for disclosure. See GASB codification section P50.728-1 for related guidance.

See notes to required supplementary information.

TOWN OF CHATHAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 LINE OF DUTY ACT PROGRAM
 For the Years Ended June 30, 2013 through 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll (4)	Contributions as a % of Covered- Employee Payroll (5)
2022	\$ 1,445	\$ 1,445	\$ -	\$ 188,992	0.76%
2021	\$ 2,152	\$ 2,152	\$ -	\$ 169,813	1.27%
2020	\$ 2,117	\$ 2,117	\$ -	\$ 202,493	1.05%
2019	\$ 2,117	\$ 2,117	\$ -	\$ 186,460	1.14%
2018	\$ 1,702	\$ 1,702	\$ -	\$ 176,708	0.96%
2017	\$ 1,702	\$ 1,702	\$ -	\$ 169,965	1.00%
2016	\$ 1,556	\$ 1,556	\$ -	\$ 164,646	0.95%
2015	\$ 2,075	\$ 2,075	\$ -	\$ 177,410	1.17%
2014	\$ 2,087	\$ 2,087	\$ -	\$ 166,246	1.26%
2013	\$ 1,897	\$ 1,897	\$ -	\$ 158,106	1.20%

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

TOWN OF CHATHAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LINE OF DUTY ACT PROGRAM
For the Year Ended June 30, 2021

Exhibit 14

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 following changes in actuarial assumptions were made based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes in the actuarial assumptions as a result of the experience study are as follows:

Employees in the non-largest ten locality employers with public safety employees

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace a loan with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience and changed final retirement ages from 65 to 70
Withdrawal rates	Decreased rates and changed 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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CHATHAM, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 15

	<u>Permanent Fund</u>
	<u>Perpetual Care</u>
ASSETS	
Cash - restricted	\$ 251,727
Due from other funds	<u>41,175</u>
Total assets	<u><u>\$ 292,902</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Total liabilities	<u>\$ -</u>
Fund balances:	
Reserved for:	
Perpetual care	<u>292,902</u>
Total fund balances	
Total liabilities and fund balances	<u><u>\$ 292,902</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHATHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 16

	<u>Permanent Fund</u>
	<u>Perpetual Care</u>
Revenues:	
Interest and investment revenue	\$ 5,606
Sale of cemetery lots	<u>38,900</u>
Total revenues	<u>44,506</u>
Total expenditures	<u>-</u>
Excess of revenues over expenditures	<u>44,506</u>
Other financing sources:	
Operating transfers out	<u>(9,725)</u>
Total other financing sources	<u>(9,725)</u>
Net change in fund balances	34,781
Fund balance at beginning of year	<u>258,121</u>
Fund balance at end of year	<u><u>\$ 292,902</u></u>

The accompanying notes are an integral part of the financial statements.

COMPLIANCE SECTION

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

To the Honorable Members of the Town Council
Town of Chatham, 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, each major fund, and the aggregate remaining fund information of the Town of Chatham, 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 Chatham, Virginia's basic financial statements, and have issued our report thereon dated December 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chatham, 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 Chatham, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chatham, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

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.

Harris Harvey Neal & Co. LLP

Danville, Virginia
March 14, 2023